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FINANCIAL TIMES

World Business Newspaper http://www.FT.com

TUESDAY APRIL 27 1999

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US envoy leads Kosovo mission to Moscow

By Stephen Fidler in Washington and John Thornhill in Moscow

Strobe Talbott, US deputy secretary of state, arrived in Moscow yesterday amid guarded confidence in Washington that Russia wants to avoid a showdown with Nato over the Kosovo conflict.

Mr Talbott is expected to meet Victor Chernomyrdin, the former prime minister who visited Belgrade last week as a special Russian envoy, and Igor Ivanov, Russia's foreign minister, today.

The visit of the Clinton administration's senior Kremlinologist followed an hour-long telephone call on Sunday between the Russian and US presidents, initiated by Boris Yeltsin, towards the end of a three-day Nato summit. A senior US official said the message from this call was: "Yeltsin wants to work with Nato."

The Talbott mission opens a week of intense diplomatic activity in Moscow, involving US, United Nations, Canadian and European officials.

The aim is to keep Russia, an unstable nuclear power, engaged diplomatically as the Nato military campaign against Yugoslavia escalates.

Russia boycotted the summit in Washington in protest at the alliance campaign. But opinion polls show a majority against Russian involvement in the conflict.

A senior administration official said Moscow had recognised that its own strategic interests were not at stake. "They don't want a confrontation with us over Kosovo," said the official.

That view was reinforced during the telephone call between the two presidents. In spite of concerns that a naval blockade of Yugoslavia could become a potential flashpoint between Nato and Russia, a US official said the issue was not raised by Mr Yeltsin.

US officials said the unity of the Nato summit should have helped convince Moscow that the action over Kosovo was not simply a US fixation. They said Mr Talbott wanted to get more detail on Mr Milosevic's offer - made to Mr Chernomyrdin in Belgrade last week - to allow an international force into Kosovo after hostilities cease. That offer was rejected by Nato's leaders at the weekend as insufficient.

Mr Talbott and the other would-be mediators - including Kofi Annan, the UN secretary general, who will visit Moscow later this week - *fly into a difficult environment*. The Russian media has reported growing tensions between the foreign ministry and Mr Chernomyrdin over Yugoslavia, and Russia's diplomats are still smarting about the former premier's appointment.

Kosovo crisis, Page 2; Letters, Page 16; Editorial Comment and Observer, Page 17

WORLD NEWS

India faces political drift as fresh elections are called

India faces what could prove a long period of political drift after President KR Narayanan called the country's third election in as many years. The news drove the stock market down by 5 per cent. **Page 18; Political void, Page 6; Asia stocks, 42**

Militant groups accept invitation
The Islamic militant group Hamas accepted an invitation from Palestinian leader Yassir Arafat to join the Palestine Liberation *Organisation's statehood debate.*

N Ireland minister rejects idea
David Trimble, Northern Ireland's first minister, dismissed suggestions that a power sharing administration could be set up without IRA decommissioning. **UK, Page 9**

Berezovsky charged
Boris Berezovsky was charged with illegal business activities, money laundering and continuing in business when he held a state post. The Russian businessman and politician vowed to clear his name. **Europe, Page 3**

Blast damages Moscow hotel
An explosion ripped through the 20th floor of central Moscow's Intourist Hotel, tearing open the back of the building. At least 10 people were reported injured.

Teenagers 'planned to kill 500'
Two teenagers who murdered 13 people at Columbine High School *planned to kill 500 students*, destroy the school and crash an aircraft, investigators said.

Japan takes key defence vote
Japan's lower house will today pass legislation that significantly increases Japan's role in self-defence and regional security, as well as boosting its co-operation with US forces. **Asia-Pacific, Page 6**

Malaysia protests to Manila
Malaysia protested over a private visit to the Philippines by the wife of sacked and ~~jailed deputy~~ prime minister Anwar Ibrahim and warned Manila not to interfere. **Asia-Pacific, Page 6**

EU governments agree on salaries
EU governments agreed that members of the European Parliament should all get the same salary to discourage expense account abuses. The deal is still subject to approval from the parliament itself.

South Korean strikes ease
Seoul's subway workers gave in to government pressure and ended a protest strike. **Asia-Pacific, Page 6**

Fujimori stands by security adviser
Peruvian president Alberto Fujimori publicly supported his controversial security adviser, Vladimiro Montesinos, criticised for his alleged role in planning executions.

Jamaica woos back tourists
Jamaica's tourism industry hopes to lure back visitors after last week's unrest with a new advertising campaign on US television.

Shark shelter
The US introduced fishing curbs covering sharks and swordfish to try to rebuild stocks in Atlantic and Gulf waters. **Canada geese ruffle feathers, Page 8**

BUSINESS NEWS

Greek bank aims to raise $550m in biggest Athens issue

National Bank of Greece, the country's biggest financial group, launched a Dr170.7bn ($553m) rights issue – the largest to date by an Athens-listed company – to strengthen the balance sheet ahead of Greece's probable adoption of the euro in January 2001. **Companies and Markets, Page 19**

Roche, Switzerland's second biggest pharmaceutical company, has finally won US Food and *Drug Administration approval* to sell Xenical (Orlistat), a new type of anti-obesity drug. **European Companies, Page 20**

Butterfield & Butterfield, the third-largest traditional US auction house, agreed to be taken over by eBay, the fast-growing online auction company, in a $260m deal. **Companies and Markets, Page 19**

Fears that private demand in Japan may be undermined by corporate restructuring were reinforced by data that showed a drop in retail sales and a slump in automotive production. **Page 18**

Kenneth Chenault, president of American Express, was named as the group's next chief executive, positioning him to become the first black American to run a prominent US multinational company. **Companies and Markets, Page 19**

General Electric Company of the UK further underlined its transformation into a telecommunications equipment group with the $4.2bn acquisition of Fore Systems of the US. **Companies and Markets, Page 19; Lex, Page 18**

Cable & Wireless confirmed it is to sell its undersea cable laying business for £500m ($800m) to Bermuda-based Global Crossing. **Companies and Markets, Page 19**

~~**Spain's newly merged Banco**~~ Santander Central Hispano, BSCH, posted first quarter attributable income of €368.4m ($391.6m). **European Companies, Page 20**

Germany's WestLB Asset Management has made its first move into the US market, buying a Houston-based fixed income business with $9bn under management. **European Companies, Page 20**

Bankers Trust, the US bank set to be acquired by Deutsche Bank, Germany's largest bank, by the end of June, reported first-quarter earnings of $140m, a 37 per cent slide from $222m in the same period a year ago, but up from $29m in the fourth quarter. **US Companies, Page 24**

From today, the world markets table on this page includes the benchmark Brent blend futures price. The dated price for Brent can be found in the London spot markets table on Commodities, Page 28.

Euro Markets
News, analysis and statistics on the euro currency zone, covering foreign exchange, bond and equity markets.
Page 29

Tough EU curbs likely for Telecom Italia deal

By Guy de Jonquières

European Union competition authorities are expected to require Deutsche Telekom and Telecom Italia to accept strict curbs on their market conduct *and shed some business interests* as a condition for approving their proposed merger to create a business worth €173bn ($185bn).

Brussels is preparing to demand that the companies divest operations in Austria and some other EU countries and make undertakings about financial transparency and competitive behaviour, especially in their local networks.

EU officials are determined to take a tough line because they view the deal as a test case for other big international telecommunications mergers. They want to show the industry that consolidation must be compatible with liberalisation of the EU market.

Brussels plans to seek comments on the merger from telecoms users, as well as from competitors of Deutsche Telekom and Telecom Italia, before formulating its position.

Strong criticism of the deal is expected. British Telecommunications is said to be among the telecom carriers preparing to complain that it raises serious competition concerns.

EU officials are expected to seek to impose conditions on the existing operations of Deutsche Telekom and Telecom Italia in their home markets, as well as safeguards designed to prevent a merged group achieving excessive dominance.

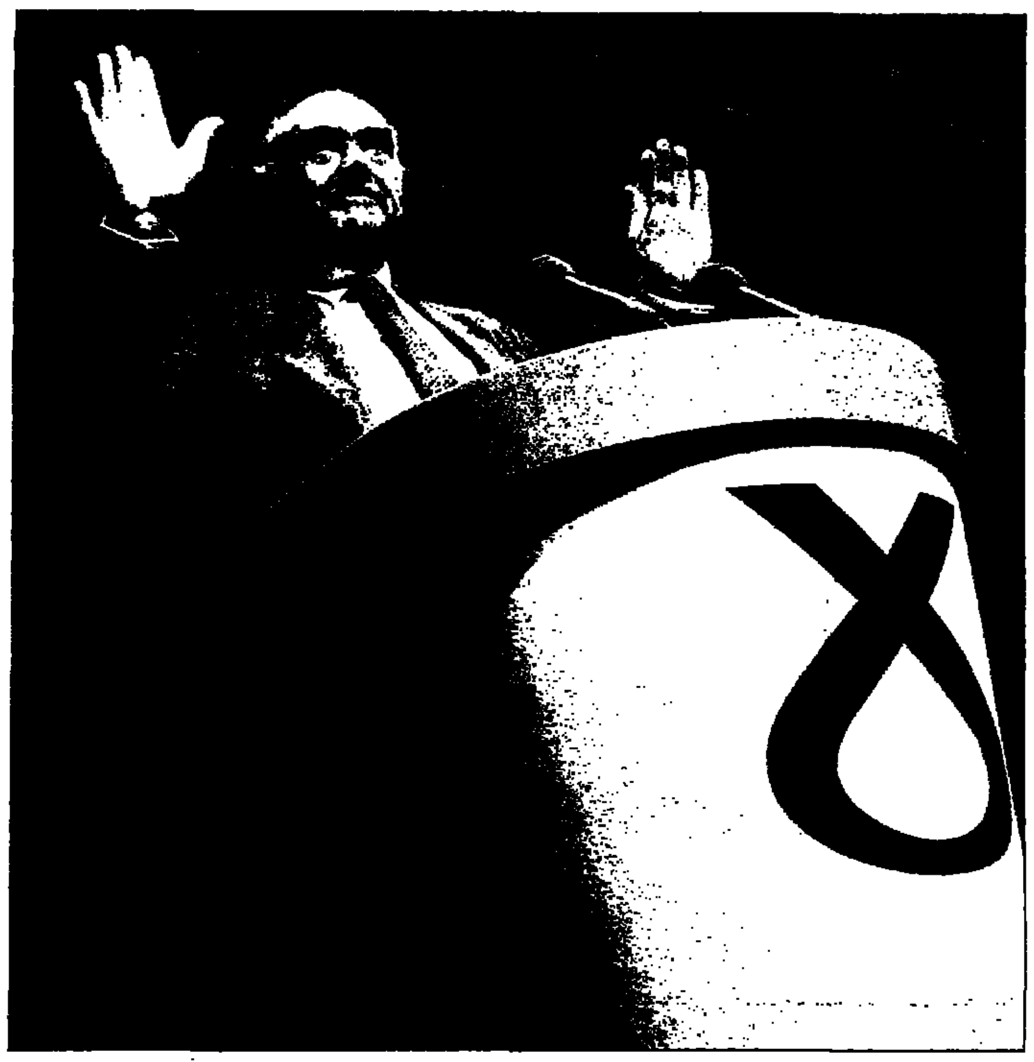
Brussels is understood to be particularly concerned by Deutsche *Telekom's policy on* "bundling" services – selling some services as a package – and by a number of complaints by competitors in Germany.

EU officials concede that using a merger investigation to deal with such allegations is unusual. But they insist they have the legal power to demand remedies and to require that a merged group be financially transparent.

Brussels is likely to require the two companies to divest all or part of their interests in Austria. It fears the combination of their stakes in mobile and fixed-line operators there could give a merged group unhealthy market dominance.

EU authorities are also expected to insist that Deutsche Telekom sever its ties with France Télécom. As well as owning 2 per cent of each other's equity, the companies are shareholders in Wind, a recently-formed Italian telecoms venture.

EU officials have ruled out a flat veto of the planned merger, which has still to be formally notified to them, because they are keen not to discourage restructuring by the rest of the industry.



Sean Connery shaken and stirred by Scottish media

The mission was nothing less than the rescue of the Scottish National party's election campaign. And the task had been entrusted to Sean Connery, the first James Bond, a man of legendary boldness and impregnable nonchalance.

But coolness was not the watchword during his short speech at a SNP rally yesterday. In fact, he was angry, but not at Scotland's oppression by England, nor even at a recent opinion poll showing the Labour party 18 points ahead in the race for the Scottish parliament. No, the 68-year-old, Edinburgh-born actor was fired up by the Scottish press, which has criticised him for being a tax exile who backs the SNP but lacks a home in Scotland.

The second half of his speech was more to the point. "Scotland should be nothing less than equal with all the other nations in the world," he said. **Man who would be kingmaker, Page 9**
Picture: Reuters

Horizon warship project collapses

By Alexander Nicoll in London and David Owen in Paris

The three-nation Horizon project to build a new generation of naval frigates collapsed yesterday when Britain pulled out.

The disintegration of the scheme is an embarrassing setback to efforts at closer European co-ties on defence and comes as governments are striving to show a united front in their air campaign against Yugoslavia.

The UK is to pursue instead a national £6bn ($9.66bn) project to build 12 vessels to replace the Royal Navy's ageing Type 42 destroyers, although collaboration with France and Italy on an advanced anti-air missile system to arm the ships will continue. The navy is now unlikely to get the first frigate before 2007, five years late.

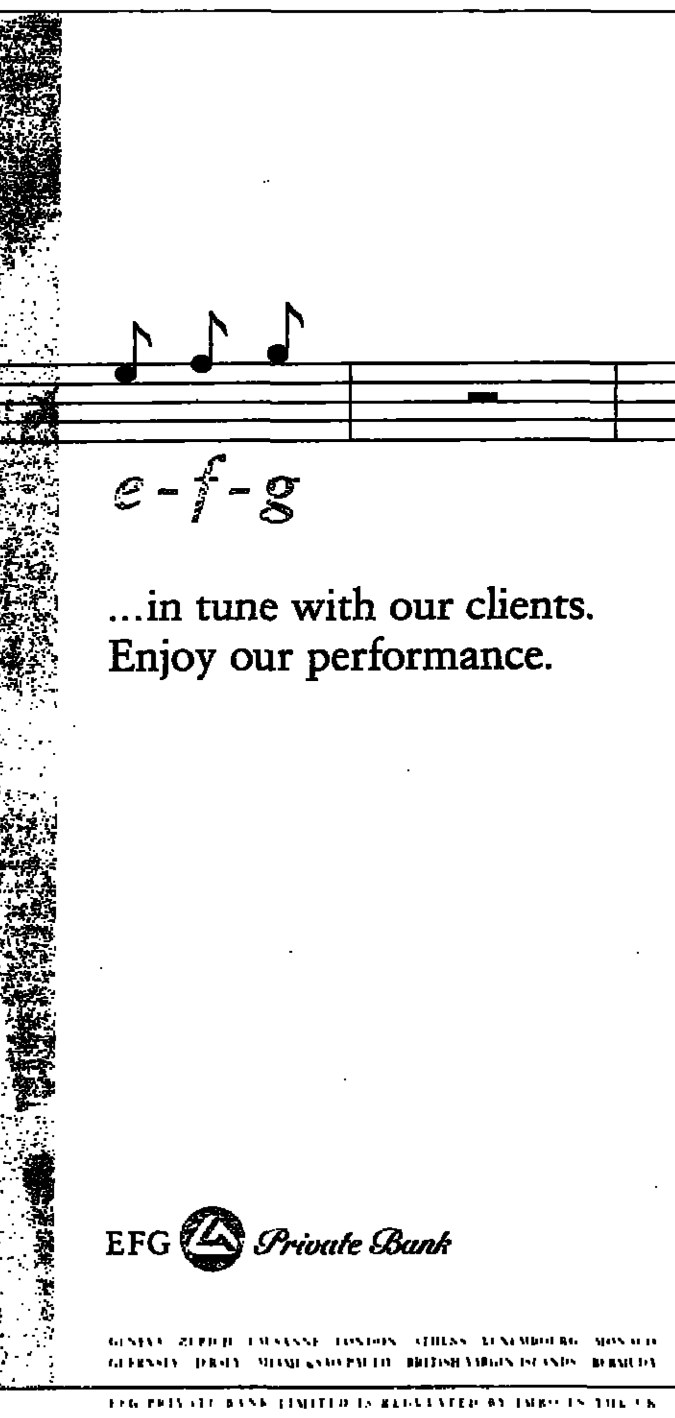
French *officials* said France and Italy would start talks to determine how best to co-operate on construction of the 10 ships their navies needed – six for Italy and four for France.

Britain's decision to cease collaboration on the Horizon frigate project follows years of delays and disagreements, first about the function and size of the vessels and more recently about industrial arrangements necessary to meet targets for cost, delivery date and performance.

Yesterday's announcement was made by governments after the three defence ministers concerned met during Nato's weekend summit in Washington.

The UK's obvious unhappiness with the Horizon project meant Paris and Rome were not surprised by the withdrawal. did not come as a surprise in Paris and Rome. But the decision underlined how difficult it will be to put into practice recent moves towards closer European collaboration on weapons procurement. It also sits awkwardly with the initiative of Tony Blair, the UK prime minister, to build cross-European defence capabilities.

British and French *procurement* officials said the final offer from the companies was unsatisfactory on delivery date, cost and performance – the British Ministry of Defence said it was 20 per cent over budget. The budget for the whole Horizon project has never been revealed.



WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	10,869.62	(-20.05)
Nasdaq Composite	2,642.20	(+51.61)
Europe and Far East		
CAC40	4,284.40	(+21.97)
DAX	5,256.22	(+60.80)
FTSE 100	6,503.6	(+75.6)
FTSE Eurotop 300	1,307.54	(+10.63)
Nikkei	16,918.51	(-4.74)
US Lunchtime RATES		
Federal Funds	4.6875%	
3-mth Treas Bills: Yld	4.47%	
Long Bond	$94\frac{9}{16}$	
Yield	5.63%	
OTHER RATES		
UK: 3-mo Interbank	$5\frac{1}{4}$%	($5\frac{5}{32}$%)
UK: 10 yr Gilt	109.93	(110.24)
Euro Euribor	2.591%	(2.594%)
Germany: 10 yr Bund	99.11	(99.36)
Japan: 10 yr JGB	103.925	(103.635)
OIL (IPE)		
Brent (Jun)	$15.70	(15.89)

GOLD		
New York: Comex	$281.3	
London:	$280.95	(283.45)
DOLLAR		
New York: Lunchtime		
£	1.6115	
€	0.945	
SFr	1.5145	
Y	119.415	
London:		
£	1.6129	(1.6189)
€	0.9432	(0.9394)
SFr	1.5119	(1.5049)
Y	118.955	(119.395)
Tokyo Close		Y 119.15
EURO (London)		
$	1.0603	(1.0645)
£	0.6574	(0.6584)
Y	126.122	(127.096)
SFr	1.6030	(1.6020)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr265	Oman	OR1.75
Belgium	BFr90 (€2.23)	Italy	L3900 (€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320 (€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr15.00	Latvia	Ls1.65	South Africa	R15
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325 (€1.95)
Finland	Fmk13.00 (€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.00 (€2.13)	Luxembourg	LFr90 (€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80 (€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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KOSOVO CRISIS

WAR IN EUROPE NATO SEES EVIDENCE OF CRACKS IN YUGOSLAV LEADERSHIP ■ ALLIANCE DENIES PLANNING CONTESTED INVASION ■ EU STARTS PREPARATIONS FOR BALKANS STABILITY PACT

Draskovic urges end to 'lying'

By Stefan Wagstyl in London and Peter Norman in Luxembourg


Draskovic: political maverick

Nato leaders yesterday seized on ground-breaking remarks by Vuk Draskovic, the Yugoslav deputy prime minister, in which he told his own government to stop "lying", as evidence of cracks in the Belgrade leadership.

However, diplomats warned against reading too much into the words of a political maverick and former opposition leader with limited power and support.

Speaking on Belgrade's Studio B television on Sunday, Mr Draskovic said: "People who lead this country must say clearly where we stand... They must say what will be left of Serbia in 20 days if the bombing continues." He called on Yugoslav leaders to "stop lying to the people in Serbia, and finally tell them the truth". He said: "The people should be told that Nato is not facing a breakdown, that Russia will not help Yugoslavia militarily, and that world public opinion is against us."

Referring to current peace initiatives, Mr Draskovic also said he expected Nato and Russia to come to a compromise over Kosovo at the United Nations and he urged Belgrade to accept it.

"If, by chance, in the name of patriotism, intransigence, defence of the country, forces or individuals were to appear here saying that it is our duty now to reject that UN Security Council resolution, that we must defeat the entire world... our people must say a decisive No," Mr Draskovic said. He later added that everything was negotiable except that Kosovo must remain part of Serbia.

Regarding the peace initiatives, Mr Draskovic said he was speaking with the permission of Slobodan Milosevic, Yugoslav president. The implied criticism of the rest of his comments was, however, clear.

Mr Draskovic's comments raised hopes at Nato headquarters of splits in the Belgrade leadership. "The statements... show that there are senior members of the Yugoslav government that are beginning to recognise the reality of the situation Yugoslavia is in," said Jamie Shea, Nato spokesman.

Joschka Fischer, the German foreign minister and chairman of yesterday's meeting of European Union foreign ministers in Luxembourg, gave Mr Draskovic's comments a cautious welcome. He said the comments were a sign that parts of the Serbian leadership were beginning to realise the gravity of their situation and were beginning to think of what must follow the ethnic war waged in Kosovo.

A spokesman for Tony Blair, the UK prime minister, was more blunt. "There is clearly outright dissent right at the heart of Milosevic's regime. Milosevic is losing it," he said.

Carlos Westerndorp, the international high representative in Bosnia-Hercegovina, was more circumspect. He said Mr Draskovic's comments were a "symptom" of how internal criticism of the Milosevic regime was emerging in Serbia.

Before Mr Milosevic came to power in the late 1980s, Mr Draskovic was considered Serbia's leading nationalist. In 1991, at the start of the Serb-Croat war he changed tack and called for reconciliation – for which he was branded a traitor by nationalists. He was jailed for mounting anti-government protests before softening his attitude and helping to form a democratic opposition coalition. But last year he joined the government at Mr Milosevic's invitation, to the disgust of many other opposition politicians.

Britain discounts plan for invasion

By David Buchan in Washington

George Robertson, the UK defence secretary, yesterday explicitly discounted any intention on Nato's part "to mount a wholesale, organised, opposed invasion of Kosovo". Mr Robertson's comments in London followed the Nato summit in Washington, at which Britain had tried to get its 18 fellow Nato allies to think ahead to circumstances in which Nato troops might enter Kosovo, without surrender or agreement from Slobodan Milosevic, Yugoslav president, but with his army unable any longer to put up much resistance.

Nato said yesterday it would soon have 28,000 allied troops in Macedonia and Albania, but governments denied that this amounted to any preparation by stealth of a force to invade Kosovo against hostile Serb troops.

Giving the latest tally of allied deployments, Jamie Shea, Nato spokesman, said British and German reinforcements would soon bring the number of troops in Macedonia to 16,000. The expanding refugee operation in Albania would raise the total of troops from European members of Nato to 7,300 while the US is increasing its contingent there to 5,300, ostensibly to protect its Apache helicopter force and its MLRS rocket systems.

Nato has long planned a peacekeeping force of around 28,000 troops to enter Kosovo after a peace settlement. The imminent early arrival of this number of troops has raised the question of whether Nato is quietly mobilising the wherewithal for an early, opposed entry into Kosovo.

However, Tony Cordesmann of the Centre of Strategic and International Studies in Washington, said he saw no sign of "the dedicated forces required for offensive operations" with adequate air support, heavy artillery and armour, or of "the logistics and combat engineers needed for the expansion of ports and airfields that would be required.

The reason why the US was putting in so many troops to guard a mere 24 Apache helicopters was that the latter would be based near the Kosovo border, and were needed to deter any Serb incursion, he said.

A senior US administration official said the US remained "less interested than some of our allies" in exploring the feasibility of putting forces in Kosovo before a final peace deal.

The official also clarified that while the Nato military had been asked to update its assessments last year for an Operation Force Entry, the military would keep its re-assessments to itself until or unless Nato ambassadors in Brussels asked for them.

Shadow falls over region's economies

Investor confidence has been seriously eroded, write **Stefan Wagstyl**, **Kerin Hope** and **Arkady Ostrovsky**

Neighbours

1998 est	
Albania	
Population:	3.2m
GDP per capita*:	$708
Tourism earnings	-
Bosnia and Hercegovina	
Population:	4.2m
GDP per capita:	$972
Tourism earnings	-
Bulgaria	
Population:	8.4m
GDP per capita:	$1,700
Tourism earnings	$440m
Croatia	
Population:	4.5m
GDP per capita:	$4,477
Tourism earnings	$2.7bn
Hungary	
Population:	8.4m
GDP per capita:	$4,727
Tourism earnings	$2.5bn
Macedonia	
Population:	2.1m
GDP per capita*:	$1,663
Tourism earnings	$14.7m
Romania	
Population:	22.5m
GDP per capita:	$1,897
Tourism earnings**	191m
Slovenia	
Population:	2.0m
GDP per capita:	$9,826
Tourism earnings	$1.1bn

Source: EBRD. * 1997 figures. ** First 9 months

From the spas of Slovenia to Bulgaria's beaches, the Kosovo conflict is casting a shadow across the economies of the Balkans.

Outside Yugoslavia, the most serious economic disruption is occurring closest to Kosovo, in Albania and Macedonia, which together have been flooded by nearly 500,000 refugees.

Bulgaria is also suffering badly, mainly from the closure of direct transport routes through Serbia to the rest of Europe.

Across the region, tourist companies report cancellations. Bankers warn of a likely decline in foreign investment, an increase in borrowing costs, and difficulties for governments with privatisation programmes.

"A number of neighbouring countries are already being quite severely affected," says Nicholas Stern, chief economist at the European Bank for Reconstruction and Development. Muravey Radev, the Bulgarian finance minister, put it more bluntly. "Investors' confidence has gone and there might be quite a time lag before it is restored."

Beyond the Balkans, the war's impact is slight. Last year's Russian crisis had already blown away the economic froth from the region. Both in central Europe and in the former Soviet Union, economic ties with the Balkans are limited. As Leszek Balcerowicz, the Polish finance minister, says: "We have few economic ties with the former Yugoslavia."

Within the Balkans, the damage is difficult to quantify but could be of the order of 1 per cent of gross domestic product for Bulgaria, Bosnia and Croatia, assuming the conflict lasts to the end of the year. For Albania and Macedonia, the negative effect of disruption is offset, at least partially, by economic activity generated by the refugees. Albania's 3m population has been swollen by 15 per cent. The estimated $800m cost of caring for the refugees until the end of the year – to be met mostly by foreign aid – amounts to almost a quarter of GDP. The figures for Macedonia are smaller but still sizeable.

However, this extra demand could do as much harm as good by distorting the economy, for example, by driving up prices for some services such as road transport. Meanwhile, normal business is being depressed by uncertainty. Banks say hard currency is running short as Albanians transfer holdings overseas. Macedonian bankers report a similar rush for the door.

Manufacturing in Macedonia is particularly badly hit as it was closely tied to Serbia, which accounted, for example, for 65 per cent of output in metal processing.

Agricultural exporters are also suffering. Producers in Macedonia and Bulgaria are hard hit by the closure of roads through Serbia, which forces drivers to take a long detour through Romania. Gjorgi Icevski, a Macedonian vegetable exporter, said: "The cost of shipping a truck load of early tomatoes has doubled and quality's suffering because of the longer journey time." His produce travels through Bulgaria and Romania, where the waiting time at the only bridge across the Danube is seven days.

Macedonia sent 65 per cent of exports to Serbia or via Serbia to more distant European markets. For Bulgaria, the figure was 50 per cent. Air is an expensive alternative, possible only for high-value goods. Alexander Bozhkov, Bulgarian deputy prime minister, says the country is losing up to $1.5m a day in exports, or about 10 per cent of the total.

The Danube river route is impassable, blocked by the wreckage of bridges bombed by Nato. The closure particularly affects Romania, which has a substantial heavy industry producing metals, chemicals and other bulk goods. "Exports to western Europe will be seriously affected," says Panagis Vourloumis, chairman of Banca Bucuresti, a Greek-controlled Romanian bank.

North of the war zone, the war's biggest effect is on tourism. Marko Skreb, Croatian central bank governor, estimates the drop in tourist revenue could cost 1 per cent of GDP. Western European tour operators report cancellations along the Adriatic coast, and in the Slovenian mountains. First Choice, the UK travel company, says Slovenian bookings have "virtually ground to a halt".

Bulgarian operators are more optimistic. "People are calling and asking lots of questions. But Bulgaria is clearly a much safer place just now than the Adriatic coast," says Boyan Manev, managing director of Bulgaria-based Sunshine Tours.

Foreign investment programmes are being hit. Bulgaria, which is in the midst of widely praised economic reforms, is bracing itself for a sharp drop. Mr Bozhkov estimates direct investment could be less than half the $1bn planned for 1999. Negotiations on the sale of a 51 per cent stake in BTC, the state telecoms operator, to KPN of the Netherlands and Greece's Ote, are back on track after a slowdown of several weeks. But an Ote official said: "The deal is running behind schedule, and the war doesn't make for a comfortable negotiating situation."

Bosnia is already seeing delays to post-war reconstruction projects as key western officials postpone visits. Like Bulgaria and Croatia, Bosnia has an ambitious privatisation programme in which foreign investors were expected to play a key role.

In Croatia, where the government is hoping to secure up to $1bn for 25 per cent of Hrvatske Telekomunikacije, the telecoms utility, advisers say the Kosovo war could affect pricing.

The only relief in external financing is that the International Monetary Fund and other multilateral agencies have pledged to look sympathetically at crisis-induced pleas for help. They also seem to be treating "normal" requests more favourably. Last week, Romania secured agreement in principle for a much-delayed $500m standy credit.

Longer term, companies in the Balkans can look forward to internationally financed reconstruction, running into billions of dollars. Europe's poorest corner could the secure the capital it desperately needs. But, with the bombers still overhead, that prospect seems a long way off.

Sanctions against Belgrade tightened

By Peter Norman in Luxembourg

European Union foreign ministers yesterday decided to toughen sanctions against Yugoslavia and start preparations on a stability pact for south-east Europe to bring peace, order and democracy to the Balkans after the war.

As a first step to integrating the region into what a ministerial statement called "Euro-Atlantic structures", the EU will convene an international "Conference on South-Eastern Europe" in Bonn on May 27.

The ministers decided the ban on the sale of oil and petroleum products, formulated last week, should enter into force no later than Friday and agreed seven further measures to be adopted quickly.

The sanctions partly targeted the family and associates of Slobodan Milosevic, Yugoslav president, and partly closed loopholes in measures agreed last year to halt export credits and investment flows to Yugoslavia.

The ministers took up a Dutch call for a sporting ban. However, because of the Union's limited competence in this area, it was couched in terms of "encouragement to member states and sporting organisations not to organise international sporting events with the participation of" Yugoslavia rather than an outright prohibition.

Mr Milosevic, his associates and senior officials of the Yugoslav and Serbian governments are also subjected to a travel ban. An existing freeze on Serbian and Yugoslav funds abroad was extended to cover individuals linked to Mr Milosevic and companies linked to the two governments.

In a further loophole-closing measure, the ministers agreed a "comprehensive" flight ban between the EU and Yugoslavia.

At the same time, the EU took pains to support the democratically elected government of Montenegro, which is a member of the Yugoslav federation, as well as Albania and Macedonia, the neighbouring states hardest hit by the Kosovo refugee crisis. The ministers supported upgrading the EU's relations with Albania and Macedonia in the direction of association agreements.

The ministers also gave a boost to Ibrahim Rugova, the moderate leader of the ethnic Albanians in Kosovo, inviting him to address their meeting next month.

Ethnic tensions stir in Macedonia

By Robert Wright Skopje

As Qerim Aliu looked on silently, mourners started to discuss exactly how his son, Mujdin, died. Could prompt medical attention have saved him? They would never know. What was clear, however, was that Mujdin Aliu's death from battle wounds has turned the obscure 25-year-old Macedonian Albanian into a martyr.

Mujdin was the first Macedonian Albanian volunteer to die fighting for his ethnic kindred in Kosovo. A week after the April 18 funeral, there has been no let-up in the stream of visitors arriving to pay their respects.

A couple of kilometres down the road from Mujdin's home village of Poroj, in the centre of Tetovo, Macedonia's second biggest town, Macedonian Slavs viewed Mujdin's death rather differently. When asked about his death, Aleksandar Stefanovski, owner of the Maestro bar, frequented by Slavs, said: "All Macedonia is nervous, so my clients are nervous."

The fiercely differing views of two communities living in such proximity are a warning of the entanglements that await Nato as it strengthens its security guarantees to Macedonia.

While Mujdin Aliu's involvement in the Kosovo Liberation Army (KLA) is beyond doubt, the organisation is a more shadowy presence in Lojane, an Albanian village in the mountains almost on Macedonia's border with Serbia. On April 16, Macedonian security forces in Lojane unearthed a significant find of KLA weapons in a disused quarry. That, at least, was the claim. Vaxhit Ilijazi, president of the local council, described the find rather differently.

"Before the publication of the news, the police units were encircling the place for five days. They were working on preparing the find," he said. The cache was oddly located, Mr Ilijazi added, only 200 metres from a Macedonian army post and 500 metres from Serb units on the border. There were other oddities. The quarry walls were decorated with KLA insignia, for example, conveniently leaving no doubt as to whose weapons they were.

The find has raised fears in Lojane that pro-Serb elements of the security forces are seeking to stir up hatred against them by staging the find. That, however, has not reassured citizens of the neighbouring Serb village of Recica. Citizens of Lojane said Serbs in Recica were arming themselves to fight the Albanians, although a shop owner in Recica denied it.

While Nato supports the Macedonian government's policy of calming these tensions and securing Macedonia's survival as a state, some observers believe Nato's increased involvement risks further difficulties.

Ljubomir Frckoski, foreign minister in the Macedonian government that lost power at last year's elections, said: "There are fears that Nato indirectly supports plans for a greater Albania, because that's what an independent Kosovo would produce." He said it was resentment at Nato's support for the Albanian side, rather than pro-Serb feeling, which had produced popular Macedonian Slav protests against Nato. The alliance had yet to come to terms with the policy implications of supporting one side in a complex Balkan conflict.

'There are fears that Nato indirectly supports plans for a greater Albania'

For the Albanian side, however, Arben Dzhaferi, leader of the Democratic Party of Albanians, part of the governing coalition, is calling for even more enthusiastic government support for Nato, risking exacerbating tensions between Nato and the Macedonian Slavs.

All sides in Macedonia profess the belief that the country's tensions will not flare into the kind of full-scale war seen elsewhere in former Yugoslavia. They point to the involvement of the country's 25 to 30 per cent Albanian minority in the government as a hopeful sign. Nor is the minority suffering the kind of oppression which led to the Kosovo war. The risk, however, remains that Qerim Aliu will not be the last father left grieving.

Further surge in refugees seen

By Robert Wright in Blace, Macedonia

An estimated 3,000 ethnic Albanian Kosovars yesterday arrived in Macedonia, marking the latest surge in refugees arriving in the over-stretched republic.

According to the United Nations High Commissioner for Refugees, this was an increase on the previous day's total of 2,230 and followed an almost complete halt in refugee arrivals last week.

The latest wave of arrivals, together with refugee reports that more were waiting to come, appeared to signal a new Serb effort to drive ethnic Albanians out of Kosovo after a recent lull. Most of the new arrivals came to Blace, the site where earlier this month up to 65,000 refugees ended up crowded in appalling conditions waiting to be admitted to Macedonia.

A queue was building up last night as refugees waited to cross the border.

The spokesman for the UNHCR, Paula Ghedini, said: "Three thousand came today. They came on one train and 15 buses. We don't know how many more can be expected. We only know that these people have told us they passed many train platforms that were completely full of people but their train was unable to take any more because the train was completely full."

Another UNHCR official, Astrid Van Genderen Stort, told Reuters one man who arrived yesterday reported that Serb forces had killed 100 people in the village of Slavina, a village near Lipljan, north of Urosevac, where recent arrivals have also reported 56 killed in three separate incidents.

Some refugees also crossed at an official border crossing at Lojane, to the east of Blace, and were accommodated with local families. However, the pressure of arrivals now appears to be mainly concentrated on Blace, with another border crossing at Jazince, further west, now almost deserted. There is speculation the area across the border from Jazince may be almost empty of inhabitants and may have been militarised by Yugoslav forces.

The new arrivals will add to pressure on already overcrowded refugee camps in Macedonia. Many of the arrivals at Blace were in a distressed state or requiring medical attention. The refugees were put on to crowded buses to be taken to nearby refugee camps or were accommodated in the small, overcrowded transit centre, which has been established at the border.

KOSOVO UPDATE

FT correspondent expelled

Guy Dinmore, the Financial Times correspondent in Belgrade for more than two years, has been expelled from Yugoslavia. No explanation was given when he was asked to leave within 24 hours late on Saturday.

Refugees leave Macedonia

Planeloads of Kosovo refugees left Macedonia for other European countries. Aid workers said three planeloads left in the morning carrying 149 refugees to the Netherlands, 155 to Sweden and 134 to France. Planned flights later in the day included 147 refugees for Finland and around 250 to Turkey.

Simona Obitz, spokeswoman for the Geneva-based International Organisation for Migration, said as many as 1,300 refugees could be airlifted from the country by end of the day.

This would be the largest daily number to date, she said. Macedonia said on Sunday that just under 26,000 of 175,000 refugees who have entered the country had been sent on to third countries so far.

Danube bridge destroyed

Nato destroyed the last remaining bridge across the Danube River in the northern city of Novi Sad. The bridge had been damaged in three previous attacks. Nato has said it was destroying bridges in Serbia's second largest city to prevent troop deployments south to Kosovo.

Jesse Jackson to Belgrade

The Rev Jesse Jackson, the civil rights activist and former presidential candidate, is going to Belgrade to try to win the release of three US soldiers.

Mr Jackson said he also intended to meet Slobodan Milosevic, Yugoslav president. The three captives were visited by Cornelio Sommaruga, head of the International Red Cross, yesterday.

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CONCERN OVER TOKOBANK LIQUIDATION

EBRD hits at Russia over bank reform

By John Thornhill in Moscow

The European Bank for Reconstruction and Development yesterday rebuked the Russian government for failing to restructure the crisis-torn banking sector.

The EBRD, the biggest foreign investor in Russia, also attacked the way in which Tokobank, one of Russia's largest commercial banks, was being liquidated, branding the process a "disgrace".

David Hexter, an EBRD director, said: "We are deeply distressed by the way the liquidation of Tokobank is taking place. It does not respect creditor rights. It does not respect shareholder rights. It is a model of how not to conduct a liquidation.

"The deeds which are being done at this point in time are deeply damaging to the restoration of confidence in the Russian banking system," he told a press conference in Moscow.

The EBRD bought a $35m equity stake in Tokobank in 1994 in an attempt to help the development of Russia's fledgling financial institutions.

But the EBRD said its shareholder rights had been trampled upon after Tokobank was put into bankruptcy last September following Russia's devastating financial crash.

Mr Hexter alleged a predator bank had orchestrated a campaign to strip assets out of Tokobank while it was being run by a temporary administrator.

Mr Hexter refused to name the predator but claimed it was a "significant Moscow-based bank with a large shareholding in Tokobank".

The EBRD's efforts to defend its rights in the courts had largely been frustrated. "It is not a question of law. It is a question of the application of the law," Mr Hexter said.

Yevgeny Primakov, prime minister, recently vowed to crack down on Russia's "banking bums", promising to remove licences from troubled banks and open up the sector to strong foreign operators.

But the EBRD claimed the Russian government was still in a state of denial about the scale of the problem, pointing to a World Bank study that estimated the country's top 30 banks had between $10bn and $15bn of negative equity.

The delays in implementing a comprehensive restructuring plan for Russia's 1,500 banks have enabled many of them to transfer their remaining assets to other financial structures while leaving their liabilities to their creditors.

In some cases the unpaid staff of failed Russian banks have ripped out furniture and computers from their offices and sold them on the streets.

Russian bankers argue the government was largely to blame for the collapse of the banking system after it defaulted on its domestic Treasury bills (GKOs) in August.

They claim it is essential to transfer assets and accounts to parallel institutions to ensure continuity of services for their clients.

Rifts over the euro's fortunes

ECB watch

By Tony Barber in Frankfurt

The euro's 10 per cent fall against the dollar since January is dividing Europe's central bankers and politicians into those who think the slide has gone far enough and those who say it is not a problem.

Economists, too, have had difficulty making up their minds. Is the euro's fall exactly what the doctor would have ordered for a euro-zone struggling to maintain economic growth and exports, or should a new currency be robust enough to establish its credibility early on? Paradoxically, the answer to both questions can be Yes.

In retrospect, the politicians were too quick off the mark in early January when they celebrated the euro's short-lived rise to $1.1877 as proof of the new currency's virility.

They would have done better to remember that the dollar was always likely to recover, given the US economy's strength and the downturn in Germany, the largest euro-zone economy.

However, analysts at HSBC Economics in London note that the euro has not actually fallen as much as one might imagine.

Its present exchange rate is roughly equal to that of the synthetic euro one year ago. Moreover, its decline in trade-weighted terms has been less dramatic than its headline fall against the dollar and sterling. This is because the euro remains strong against the currencies of central and eastern Europe, prominently represented in the trade-weighted index.

Hence the European Central Bank's president, Wim Duisenberg, had good reason on April 19 to say the euro's level did not worry him. However, financial markets took his remarks as a green light to sell the euro, which proceeded to touch a record low on four out of five successive trading days, coming close to $1.0550.

In what looked like an effort to dispel gathering scepticism about the euro, especially in the US, two of Mr Duisenberg's colleagues on the ECB's executive board promptly warned the markets that they should not write off the euro as a lost cause.

John Llewellyn, global chief economist at Lehman Brothers, says that uncertainty over euro-zone economic policy since March has knocked about 2 cents off the euro and the Kosovo war has taken off another 2 cents or so.

However, if European governments pursue more credible economic policies and the Kosovo war ends within a few weeks, the euro will finish the year at $1.12, he says. The ECB hardly needs reminding that these are big ifs.

See Editorial Comment

Economic indicators for euro-11 countries

	Mar 1999	Feb 1999	Jan 99	Dec 1998	Nov 98	Oct 98	1998	1997
Inflation (annual % change)	1.0	0.8	0.8	0.8	0.8	0.9	1.1	1.6†
Unemployment (%)	-	10.5	10.6	10.7	10.8	10.8	10.9	11.6
Trade (Ecu bn)								
Exports	n.a.	n.a.	n.a.	64.5	66.1	68.4	790.8	762.4
Imports	n.a.	n.a.	n.a.	57.4	58.9	61.8	707.7	674.0
Trade balance	n.a.	n.a.	n.a.	7.2	7.2	6.7	83.2	88.4

Current account (Ecu bn)	Q3 1998	Q2 98	Q1 98	Q4 97	Q3 97
Current account balance	21.8	25.0	12.4	28.6	28.9
As % of GDP	1.5	1.7	0.9	2.0	1.9

Industrial production (%) (3 mo over previous 3 mo)	Nov-Jan/ Aug-Oct	Oct-Dec/ Jul-Sep	Sep-Nov/ Jun-Aug	Aug-Oct/ May-Jul	1998	1997
	-0.4	-0.3	-0.2	-0.1	4.2	4.1

GDP growth (%)	Q4 1998	Q3 1998	Q2 98	Q1 98	1998	1997
Over same quarter last year	2.3	2.8	2.9	3.7	3.0	2.5

Money supply	Feb 1999	Jan 1999	Dec 1998	Nov 1998	Oct 98	Sep 98
M3 Annual growth rate (%)	5.2	5.6	4.5	4.6	4.8	4.4

* provisional ** estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones †† annual % change
Source: Eurostat

SIGNS OF ECONOMIC RECOVERY

Hopes rise for German exports

By Tony Barber in Frankfurt

The German economy is showing signs of recovery despite a government decision to reduce its forecast for growth this year to about 1.5 per cent from 2 per cent, economists said yesterday.

They attributed the brighter outlook partly to the euro's weakness against the dollar and to Asia's gradual stabilisation, both of which are improving the prospects for German exports.

In addition, German companies are showing more confidence in the future since the new finance minister, Hans Eichel, has halted what they viewed as the anti-business, tax-and-spend policies of his predecessor, Oskar Lafontaine, who resigned last month.

Germany's closely watched Ifo business climate index rose last month for the first time in 10 months, even though the increase to 90.2 from 89.7 was smaller than expected.

Stefan Bergheim, economist at Merrill Lynch in Frankfurt, says German gross domestic product may have grown by 0.5 per cent in the first three months of this year after a 0.4 per cent contraction in the last quarter of 1998.

This would provide the centre-left government with some ammunition against its critics, since it would mean that Germany has avoided a technical recession, defined as a contraction in growth over two successive quarters.

Another factor supporting the economy's turnaround is the rise in real wages, which is keeping consumer demand buoyant.

However, annual German consumer price inflation has reached its highest level since last July, rising this month to 0.7 per cent from 0.3 per cent in March. The increase was mainly the result of new energy taxes and a rise in international crude oil prices.

Economists predicted that inflation could touch 1 per cent by the autumn, but noted that this was below the level of 2 per cent which the European Central Bank has defined as the maximum acceptable for price stability.

Prodi to break ranks over aide

By James Blitz in Rome

Romano Prodi, president-designate of the European Commission, is hoping to strike a powerful note of change in the Brussels bureaucracy by appointing a chief of staff who is not from his country of origin.

As Mr Prodi prepares to appear before the European parliament next week for formal hearings, it has emerged that he is aiming to employ a non-Italian as his personal chef de cabinet.

Mr Prodi's aides say that by doing so he hopes to counter the Commission's image as a forum in which leading figures sometimes place acolytes in top jobs.

An aide to Mr Prodi said yesterday that a final decision on the appointment had not been taken. But he said there was a "concrete possibility" that the president's chef de cabinet would not come from Italy.

"We want to send a strong message to the other commissioners that they need to break with the tradition of recruiting staff from under the national flag," said the aide. "If we take this step we will be setting a very powerful example."

The chefs de cabinet of European commissioners are powerful figures, preparing the groundwork for Commission meetings.

Although there have been exceptions, it has been a long-standing practice in Brussels that commissioners recruit co-nationals.

Attempts to get commissioners to appoint people from a different nationality have been unsuccessful. The Commission recently tried but failed to set up a system for appointments that would limit the number of commissioners with a chef de cabinet of the same nationality.

Romano Prodi

Russian financier to fight charges

Boris Berezovsky, the Russian businessman and politician, was charged yesterday with illegal business activities, money laundering and continuing business work when he held a state post, Reuters reports from Moscow.

Mr Berezovsky pledged to clear his name and said he was the victim of a politically motivated attack. Yevgeny Primakov, the Russian prime minister, launched an anti-corruption drive last autumn and pledged to reduce the political influence of businessmen.

"I understand there is a purely political motive," said Mr Berezovsky. "I think there is the spirit of Primakov here."

Mr Berezovsky's lawyer, Genri Reznik, confirmed the businessman had been charged with illegal business activities, money laundering and continuing business activities when he held a state post. Mr Berezovsky denied the charges and would appeal against them today, he said.

Mr Berezovsky, who built a business empire after the collapse of the Soviet Union, claims he stopped his business activities when he held state posts as deputy secretary of Russia's advisory Security Council and as executive secretary of the 12-nation Commonwealth of Independent States (CIS).

Mr Berezovsky is one of a group of Russian "oligarchs" who financed Boris Yeltsin's 1996 poll campaign and but later lost favour.

Mr Yeltsin asked for Mr Berezovsky to be removed from his CIS post in March, and this month he was formally dismissed. His influence has waned since Russia slid into a deep economic crisis last August.

● Boris Fyodorov, the controversial vice-president of Russia's National Sports Fund, has died of a heart attack three years after escaping assassination, Interfax news agency reported.

Mr Fyodorov, 40, was found dead at his Moscow apartment yesterday.

He was removed three years ago as fund president after being accused of possessing cocaine, although the charges were dropped. A month later he was stabbed 12 times by two attackers and was later reinstated as a vice-president of the fund.

AEROSPACE INDUSTRY EUROPEAN CONSORTIUM DECIDES TO MANUFACTURE JET AFTER SECURING MORE ORDERS

Airbus to build new 100-seat aircraft

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie yesterday stepped up its battle against Boeing of the US by announcing it was going ahead with production of a new 100-seat jet, the A318.

The European consortium said it had taken 109 firm orders for the aircraft, sufficient for production to go ahead.

Airbus yesterday unveiled orders from Air France and Egyptair. It is also believed to be close to agreement to sell A318s to Lufthansa of Germany and Air China.

Airbus has already announced orders for the A318 from Trans World Airlines and from International Lease Finance Corporation, both of the US.

The aircraft, which competes with Boeing's 717, is designed for short-haul, domestic and regional flights.

Airbus announced plans for the 100-seater at the Farnborough air show last year. But Noël Forgeard, Airbus managing director, said then that the aircraft would only go ahead if there were sufficient customers.

Airbus said yesterday's orders meant the aircraft, which will sell for $36m each, could now be built.

Air France said it had placed firm orders for 15 A318s, with options on a further 10. Egyptair is to order three A318s.

Airbus is also believed to be talking to Northwest Airlines of the US about the aircraft, although no decision has been reached.

Airbus decided to launch the A318 after the collapse of plans to build a new 100-seat jet in collaboration with Aviation Industries of China (Avic) and Singapore. The project was abandoned after the three parties decided it would be too expensive to build an entirely new aircraft.

The A318, which will cost less than $500m to develop, is based on the Airbus A320 family of narrow-bodied jets.

The new aircraft will have the same electronic "fly-by-wire" controls as the remainder of the A320 family. All the aircraft in the family – the A318, A319, A320 and A321 – can be flown by the same pilots and maintained by the same engineers.

The A318, which will be assembled in Hamburg, will enter service in 2002. Airbus forecasts a demand for 1,300 100-seat aircraft over the next 20 years.

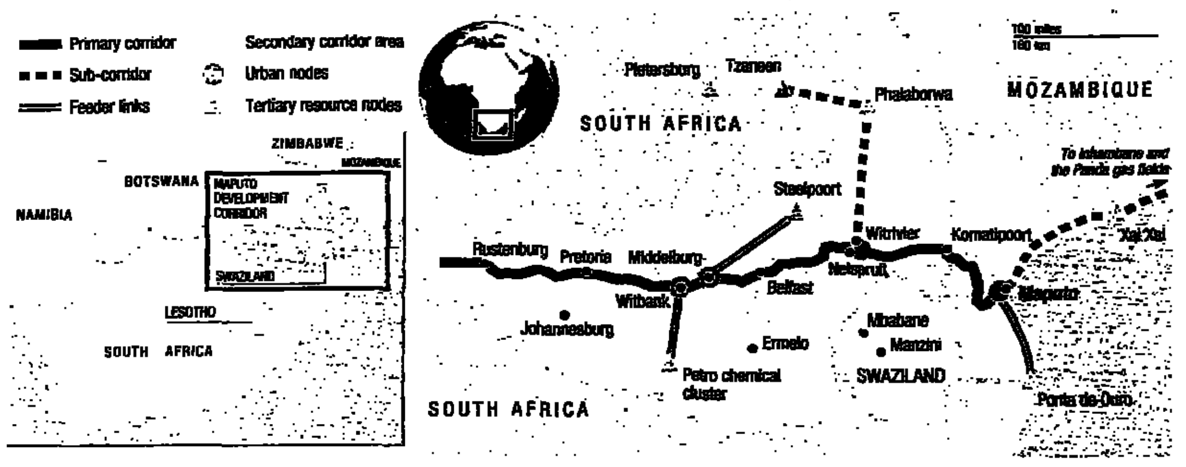
Airbus – owned by Aerospatiale of France, DaimlerChrysler Aerospace of Germany, British Aerospace and Casa of Spain – has relied heavily on the common systems of its four narrow-bodied aircraft in its campaign to win airlines away from Boeing.

The Boeing 717 is substantially different from the rest of the US manufacturer's product range. The aircraft was originally designed by McDonnell Douglas of the US as the MD-95.

Boeing decided to continue manufacturing the aircraft under the 717 name after it acquired McDonnell Douglas in 1997.

Boeing has announced orders for the 717 from AirTran, the US low-cost carrier, and TWA.

Maputo trade with SA on the line



By Victor Mallet in Johannesburg

Mozambique's failure to agree management contracts with foreign investors for Maputo's dilapidated port and three southern railway lines is threatening the future of the much publicised trade route between South Africa and the Mozambican capital, according to business executives and foreign donors.

The Maputo Corridor once accounted for 40 per cent of trade to and from the industrial region around Johannesburg – Maputo is the nearest port – and both governments have made strenuous efforts to revive the route since the end of the Mozambican civil war and the abolition of apartheid.

But negotiations between CFM, the state-owned Mozambican group responsible for ports and railways, and foreign companies named as preferred bidders have dragged on for more than a year with no result.

"Nothing is happening," says one frustrated businessman whose company wants to send more of its exports through Maputo as soon as the harbour and the rail links are rehabilitated. "When will the new operators take charge of the infrastructure?"

Four big transport contracts are at stake. Merseyside Docks and Harbour of the UK is negotiating an $85m deal to manage the port, while the Portuguese-led Consortia 2000 is in talks on the rail links to Zimbabwe and Swaziland.

Discussions between CFM and Spoornet, the South African rail operator, over the line to South Africa – the most important of the three railways – have broken down. "This is the big problem we have," says Miguel Matabel of CFM in Maputo. "For CFM, the offer was not good enough."

Merseyside Docks, meanwhile, is reluctant to sign a deal on the port until the future of the rail link to South Africa is agreed, preferably with Spoornet.

This is because Spoornet, as controller of the South African network, has the power to route traffic to Maputo or to rival ports within South Africa.

Foreign donors are concerned that the delays will tarnish Mozambique's good reputation among foreign investors and hamper the development of the corridor.

Mozal, the $1.3bn aluminium smelter being built near Maputo, says it will come on stream in July next year – six months ahead of schedule.

Work on the toll road between South Africa and Mozambique is also proceeding smoothly. But the volume of South African trade passing through Maputo port is not increasing as fast as expected, in spite of congestion at Durban and Richard's Bay in South Africa.

Millions of tonnes of coal, as well as hundreds of thousands of tonnes of granite and timber, could be routed through Maputo if the port and railways were repaired and efficiently managed.

Mondi, the South African paper group, has commissioned a feasibility study for a $25m woodchipping plant to process timber from South Africa and Swaziland for export to Asia. Another problem for users of the Maputo Corridor is that government promises to reduce bureaucratic delays at the border with South Africa and build a "one-stop" border post have yet to be fulfilled. "The situation has worsened," says one businessman. "Those promises have not been met."

But the biggest obstacle to increased trade is that CFM, under its nationalistic and combative chief Rui Fonseca, rates its ancient rolling stock and other assets much more highly than anyone else.

"I think eventually they will get an agreement, but it may take time," says James Coates, the World Bank's resident representative in Maputo. "Mozambique is not going to give those rights away. It is going to bargain for them."

China upbeat on WTO talks

By James Kynge in Beijing

China yesterday reversed its recent negative comments on negotiations with the US to enter the World Trade Organisation, saying that constructive discussions beneficial to both sides had been held.

The new tone, in a report by the official Xinhua news agency, contrasted with another Xinhua report last week which complained that Washington was being "too demanding", after two days of talks in Beijing ended with no obvious result.

US negotiators were still in China yesterday attempting to narrow the few remaining differences that stand between Beijing and Washington and a bilateral deal under which China has offered significant market access concessions to foreign investors and lower import tariffs for many goods.

European Union negotiators yesterday also began a week of talks before a scheduled visit to Beijing in May by Sir Leon Brittan, the EU acting trade commissioner. The EU side is understood to be anxious to ensure that agreements reached with the US do not favour US companies over their EU competitors.

Adding to a sense that after 13 years of tortuous negotiations a final accord may be within reach, Renato Ruggiero, director general of the WTO, noted in a newspaper interview that "many encouraging signs" characterised China's negotiations and said he believed that China could win admission by November.

The atmosphere appeared largely ripe for a deal with China on WTO entry earlier this month when Zhu Rongji, the Chinese premier, visited Washington. But President Clinton is believed to have baulked at the 11th hour because of concerns that the agreement might not win support in the US congress.

NEWS DIGEST

SPACE LAUNCH

Ariane 5 to make first commercial flight

Arianespace, the European commercial satellite-launching consortium, has scheduled the first commercial flight of its new-generation Ariane 5 rocket for early July. The consortium said the expected payload would consist of Telkom-1, an Indonesian communications satellite, and WorldSpace's AsiaStar direct radio broadcast satellite.

The launch would come eight months after the rocket's successful third qualification flight and more than three years after the first Ariane 5 exploded in June 1996. As telecommunications satellites become bigger, Ariane 5's additional carrying capacity enables Arianespace to to offer the dual launches on which its competitiveness depends. **David Owen, Paris**

HORMONES DISPUTE

EU vote on US beef ban

European Union veterinary experts are expected to vote today to ban imports of hormone-free beef from the US after some shipments were found to contain hormones, EU officials said yesterday. The ban, if adopted, would take effect from June 15 unless the US authorities could prove they had solved the problem by then, officials said. The EU's executive Commission called for a ban last week after scientific tests showed that 12 per cent of supposedly hormone-free US beef contained residues of hormones. **Reuters, Brussels**

JOINT VENTURE

Fiat to assemble cars in Egypt

Fiat yesterday formed a joint venture to assemble its Siena car in Egypt. It will invest $15m in a plant producing up to 15,000 cars a year. The venture will also import, sell and service Fiat cars in Egypt. It will be 51 per cent controlled by Fiat Auto, the Italian group's car division, with the Seoudi group owning 44.1 per cent and Nile Engineering, the Egyptian importer of Fiat cars, the remaining 4.9 per cent. Production is expected to start at the end of this year. ***Paul Betts, Milan***

CONTROVERSIAL DAM

Investors quit Indian project

Two German utilities have withdrawn from India's controversial Maheshwar Dam, leaving the future of India's first privately financed hydroelectric project in question. The proposed dam, like many in the Narmada valley in western India, has generated fierce opposition. Sixty-one villages and 20,000 people would be displaced.

Vereinigte Elektrizitatswerke Westfalen confirmed yesterday that it was no longer involved with the project, while Bayernwerk of Bavaria said its contracts with Shree Maheshwar Hydropower, which is to build and operate the project, had run out and would only be renewed if authorities were to provide good land for resettlement. The two utilities were to acquire 49 per cent of equity in the dam. **Nancy Dunne, Washington**

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G7 FINANCE MINISTERS' MEETING RESOLVING FINANCIAL CRISES AND STEPPING UP DEBT RELIEF HIGH ON AGENDA

Third world woes dominate first world summit

By Robert Chote, Economics Editor, in Washington

Involving the private sector in financial crisis resolution and stepping up debt relief for the world's poorest nations were high on the agenda at yesterday's meeting of finance ministers and central bank governors from the Group of Seven leading industrial countries.

Against the background of a tentatively optimistic outlook for the world economy in the wake of the recent financial crises in emerging markets, the G7 used the meeting to ponder longer term changes to the architecture of the international financial system.

No signals on exchange rates were expected. Kiichi Miyazawa, Japanese finance minister, said that dollar/yen was at an "acceptable" level, while Hans Eichel, the German finance minister, described the recent fall in the euro as a "normalisation" reflecting higher growth and interest rates in the US. The US Treasury meanwhile kept up the pressure on Europe and Japan to stimulate growth.

The G7 agreed that the private sector should play a greater role resolving financial crises and not expect to be bailed out of failed investments with taxpayers' money. But there was no consensus on the basic approach, with the UK arguing for explicit rules in advance and the US a "case by case" approach.

From the private sector, there was particular nervousness about the G7's attitude to holders of emerging market bonds. Investors have been alarmed by the International Monetary Fund's insistence that Pakistan reschedule its international bonds before receiving fresh loans.

Mr Rubin argued last week that bondholders should not expect to be in a privileged position relative to banks when borrowers get into trouble. This view was echoed yesterday by Stanley Fischer, deputy managing director of the IMF, who said that high yields on some emerging market bonds "could only be interpreted as believing there was a chance of rescheduling".

The G7 also discussed proposals to make the debt relief available to the world's poorest nations deeper, broader and faster. Details will wait until the Cologne leaders' summit in June, but there was general agreement that the existing $12.5bn scheme needs expansion.

Gold prices fell as there were further calls to sell and reinvest some of the IMF's $30bn gold reserves to help finance the Fund's share of debt relief. The IMF has conceded the case for selling 5 per cent of its gold, but the UK argued at the meeting that 10 per cent "at a minimum" should be sold.

INTERNATIONAL BONDS 'BAILING IN' CALL

Rescheduling for emerging markets looms

By Edward Luce, Capital Markets Editor

The chances that a number of leading emerging market borrowers will be compelled to reschedule their international bond debts have risen sharply in the last few days with both the US government and the International Monetary Fund repeating calls for such a move.

Both Stanley Fischer, managing director of the IMF, and Robert Rubin, US Treasury Secretary, said that private sector holders of international bonds should be "bailed in" to general restructuring of official Paris Club obligations. This is thought most likely to affect bonds issued by Ecuador, Pakistan, Ukraine, Romania and possibly Russia.

However, in the longer term, the Paris Club is insisting that the covenants on international bonds be altered to make it easier for all emerging market governments to reschedule their debts in tandem with similar moves on their official obligations. At present, international bonds are seen as an almost sacrosanct asset class exempt from the conditions which are applied to private and public sector loans. "It is very difficult to sustain a position where there is a halo over a particular class of assets," Mr Fischer said in Washington yesterday.

Bond market representatives are strenuously opposing the suggestion which was first put forward in Paris Club talks with Pakistan earlier this year. Bond officials say the measure would increase the "risk premium" – or cost – of emerging market debt and thus price many countries out of the market.

However, the Paris Club is sticking firmly to its position which looks likely to be applied on Pakistan and possibly Romania in the near future. "Investor reaction [to the proposal] is negative," said Arnab Das, an emerging market strategist at J.P. Morgan. "It creates greater uncertainty and comes as an additional burden on what is already a stressed market."

But others say the move would have a minimal effect on the stronger emerging markets and could have a salutary effect on the weaker countries by pricing them out of a dangerous and volatile market. This could force excluded countries to seek alternative sources of capital within their domestic markets.

"Just two years ago every oblast (region) in Russia appeared to be issuing bonds at yields which just did not reflect their poor credit status," said one banker. "If these measures made it more difficult for Russian oblasts to come to the market it can't be a bad thing."

Helene Williamson, director of fixed income at Foreign & Colonial, an emerging market fund manager, said that stronger countries would be unlikely to be affected by the changes.

"Mexico and Poland, for example, are seen as strong credits and are unlikely to be penalised by the markets," said Ms Williamson. "There would be much greater differential in pricing between weak and strong emerging markets."

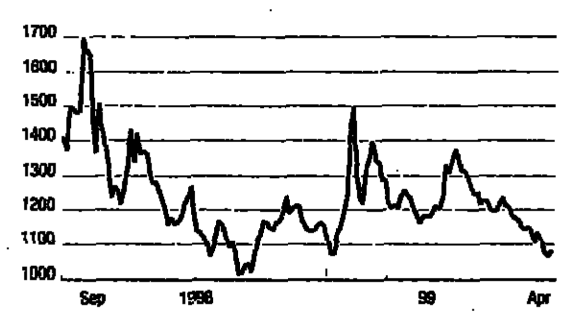
Most in the international markets see some change as inevitable. For example, many existing emerging market bonds have covenants requiring unanimity before the terms of repayment can be altered.

This is seen as extreme and self-defeating. In addition there is general recognition that exempting eurobonds from general debt rescheduling creates "moral hazard" by removing any sense of risk from one type of debt. "What you have at the moment is a situation where the IMF or the Paris Club reschedules a country's debt and the country promptly uses the new resources to meet its eurobond [international bond] payments," said a G7 official. "This doesn't help anyone except the bond investor."

However, officials say they will treat each emerging market on a "case-by-case" basis. For example, countries such as Russia, which has very steep official debts but quite small international bond obligations, might be permitted to maintain their bond payments. Others, however, could be forced to adopt "comparability" of treatment on all of their debts.

The risk recedes

Emerging markets bond yield spread over US Treasuries (basis points)



Source: JP Morgan

WORLD DEVELOPMENT

Effort to reduce poverty falters

By Robert Chote

Emerging market financial crises, uncertain prospects for the former Soviet economies and the spread of HIV/Aids in Africa mean that progress towards international targets for human development is in danger of stalling after a generation of improvement, the World Bank warned yesterday.

Publishing its annual compendium of World Development Indicators, the Bank predicted that financial crises "could reverse the gains of many people who had previously migrated from poverty to the ranks of the middle class in the worst affected crisis countries".

A year ago it looked as though international development goals of halving poverty, cutting infant and child mortality by two thirds, and enrolling children in primary education could be met, said James Wolfensohn, the Bank's president. "Now those goals are at risk, and we must draw on the lessons of recent experience to help us reshape our strategies for the future."

Mr Wolfensohn said the financial crises showed that institutions had not been robust enough to cope with the forces of globalisation. There had also been a crisis of governance, for which the cures were a strong legal system, a fair justice system and transparent public institutions.

In eastern Europe and the countries of the former Soviet Union, millions had seen their living standards deteriorate in the transition from planned to market economies. Around 147m people (approximately one in three) live on less than $4 a day, a tenfold increase since 1989.

The spread of HIV/Aids in sub-Saharan Africa has wiped out hard-won increases in life expectancy, with 29 per cent of Zimbabwe's population aged between 15 and 49 infected. Another 10 African countries have infection rates above 10 per cent.

All developing regions have seen setbacks in poverty reduction. The Bank's forecasts for 1998-2001 suggest that only south Asia and China will post economic growth strong enough to meet the international target of halving poverty by 2015.

But the Bank said there were reasons for encouragement too. It noted that India and China had largely managed to avoid the financial crisis and that protectionist pressures had been limited.

NEWS DIGEST

EGYPTIAN TERRORISM

1,000 Islamic militants freed after ceasefire

Egyptian authorities have released 1,000 Islamic militants in the past three days, after a ceasefire by the largest militant group. Several jailed leaders of the Gama'a al-Islamiyya are thought to be among those released. The jailed leaders, in concert with exiled leaders, called for a ceasefire on March 25, in an effort to end the seven-year battle with Egyptian security forces which has cost 1,300 lives.

Muntassir al-Zayat, the lawyer for the Gama'a al-Islamiyya, played a key role in establishing a dialogue between the jailed and exiled leaders with the aim of securing a ceasefire. **Mark Huband, Cairo**

PALESTINIAN STATE

Arafat prepares for decision

Yassir Arafat, president of the Palestinian Authority, will today convene the Palestinian Central Council in Gaza to decide whether to declare a Palestinian state on May 4. That date marks the end of the five-year interim period which granted Palestinian self-rule to limited areas of the West Bank and Gaza.

Although it is expected a formal declaration will be postponed, it coincides with several attempts by Benjamin Netanyahu, Israeli prime minister who is seeking re-election on May 17, to provoke the Palestinians by recent measures his goverment has taken in Jerusalem and the West Bank.

Mr Netanyahu last week ordered the closure of three Palestinian offices in east Jerusalem which are attached to Orient House, headquarters of Faisal Husseini who is responsible for Jerusalem affairs for the Palestine Liberation Organisation. Although Mr Husseini protested, he and the Authority have repeatedly said the closure decisions was an election ploy by Mr Netanyahu to drum up support for his election campaign – and so will not be drawn into a fierce response. Mr Arafat has insisted Palestinians remain quiet and not be provoked, fearing it could be used by Mr Netanyahu. **Judy Dempsey, Jerusalem**

ISRAELI ELECTION

Russian boost for Barak

Ehud Barak, who is contesting the premiership as head of the left-of-centre One Israel movement, yesterday received a boost after a group of prominent immigrant Russian intellectuals said they were switching support from Benjamin Netanyahu, the incumbent, to Mr Barak.

The decision was led by Anna Issakova, a writer who in the early 1990s helped establish the Vremye and Vesty Russian language newspapers and advised Mr Netanyahu on immigration during his successful election bid in 1996. One Israel organiser said the shift, supported also by actors from the internationally-acclaimed Gesher theatre group, represented the slow erosion of support for Mr Netanyahu.

● The Bank of Israel said yesterday it was lowering its key lending rate by 0.5 percentage points to 12 per cent for next month, the third time it has reduced rates in as many months. It said it was responding to the inflation environment. The finance ministry expects an inflation rate of 4 per cent this year. **Judy Dempsey**

Japanese laws raise defence commitment

By Michiyo Nakamoto in Tokyo

Japan's powerful lower house of the Diet will today pass legislation that significantly increases Japan's role in its own self-defence and in regional security and enhances Japanese military co-operation with US forces.

The defence guideline bills will enable Japan's Self-Defence Force (SDF) to provide support to US forces "in situations in areas surrounding Japan, which, if left untouched, may bring about a direct armed attack against Japan".

Passage of the bills, which has been delayed for more than a year and comes just in time for the visit by Keizo Obuchi, the prime minister, to the US later this week, paves the way for a positive note to the summit between Mr Obuchi and President Bill Clinton due on May 3.

The Japanese government has been under pressure from the US to get the legislation passed to ensure that Japan could provide US forces with critical support to deal with possible contingencies in the region.

These include rear-area support by the SDF and search-and-rescue operations, as well as measures to evacuate Japanese nationals abroad in case of emergencies.

However, the politically sensitive bills had been shelved while the Japanese government focused its attention on Japan's economic crisis, which forced the ruling Liberal Democratic party (LDP) to concentrate on financial reconstruction and economic stimulus measures.

Japan's Asian neighbours have also expressed some fears of a resurgence of Japanese militarism. Beijing has been notably critical of the bills, which it claims aim to contain China.

The LDP, which lacks a majority in the upper house of the Diet, has had to join hands with a long-time rival, the Liberal party, and to bow to demands of the opposition New Komei party, in order to win support to pass the defence bills.

After intense negotiations over the weekend and yesterday, the LDP, which has already had to compromise on a number of points, agreed to scrap the last remaining controversial issue over allowing the SDF to inspect ships to enforce economic sanctions. That will be covered later in separate legislation.

In a sign of continuing resistance to the bills, hundreds of demonstrators rallied outside the Diet yesterday in protest.

Japanese leaders have been concerned that failure to pass the legislation would fuel public anger in the US against what is perceived to be Japan's "free-ride" on the US security commitment in the region.

China plans bond issue to lift growth

By James Kynge and James Harding in Beijing

China plans to expand its fiscal stimulus programme this year by issuing Rmb25bn ($3bn) in special bonds to finance infrastructure projects and boost a slowing economy, officials said yesterday.

Lou Jiwei, vice minister of finance, said that the bond issue would be bought mainly by the "big four" domestic state banks and the proceeds would complement Rmb100bn raised by a similar infrastructure bond issue last August. More than half of the Rmb100bn tranche has been spent on improving basic services such as electricity transmission, telephone networks, grain storage, roads, water conservation and other projects.

The government claims the increase in infrastructure spending as a result of last year's bond issue contributed 1.5 percentage points of China's 7.8 per cent gross domestic product growth last year. Independent analysts believe the real growth rate, and the contribution from the infrastructure bond issue, may be significantly lower than the official claims.

The planned Rmb25bn bond issue confirms that the government remains committed to an active fiscal policy to offset economic prospects which have been described by Zhu Rongji, the premier, as "grim".

Dai Xianglong, governor of the People's Bank of China, the central bank, yesterday signalled the difficulty of trying to invigorate domestic demand, as Chinese individuals prove reluctant to spend and continue to add to savings deposits.

"The interest rate policy alone cannot stimulate domestic demand," he said.

But the smaller size of the special issue, which Mr Lou said would not be repeated, may have been an indication of the growing official concerns over the wasteful allocation of funds under the infrastructure programme.

Li Rongrong, vice minister of the state development planning commission, said that two cases of embezzlement of infrastructure funding had been uncovered recently, one in the south-eastern province of Jiangxi and the other in Yunnan province in the south-west. Mr Li said that as punishment, all infrastructure allocations to Jiangxi – apart from funding for vital flood control – had been stopped.

Political void hits Indian share prices

By Krishna Guha in Bombay

India's stock market plunged yesterday as investors digested the prospect of a long period of uncertainty and paralysis of policy making at the centre. The benchmark BSE-30 index fell 4.74 per cent, to close down 161.32 points at 3345.27.

"What is really spooking the market is that there is a high chance that new elections will not be held until October or November because of the monsoon rains," said Nitin Anandlcar, head of research at Jardine Fleming. "You are looking at five months of non-governance. That is not what the Indian economy needs at this stage."

Shares fell across the board, with bank stocks and industrials worst hit. However, India's sunrise sectors were not spared: even the export-orientated technology industry lost ground. Core software stocks such as Infosys, Satyam and NIIT are now down as much as 30 per cent from last month's highs.

The sell off was led by domestic speculators. Foreign money continues to flow into India, albeit at a modest rate, buoyed by the recent upswing in sentiment towards emerging markets.

Bankers and industrialists expressed resigned dismay at events in Delhi. "It does not help," said K.V. Kamath, managing director of ICICI, the financial institution. "Since I took over as CEO in 1996 we have had four governments: this will be number five."

He said that the caretaker administration would not be able to make important decisions, and this would delay infrastructure projects.

Anil Ambani, managing director of Reliance Industries, the petrochemicals company, said: "Politics has to resolve itself. I don't think anybody is looking for instability." But he added: "There is a growing disconnect between economics and politics in India."

Most industrialists are taking comfort in the recent firming of commodity prices and strong rural spending, following a good winter crop.

"Rural demand growth is coming through," said Anand Mahindra, managing director of Mahindra and Mahindra, the tractor and jeep producer. He said the Indian farmer was not very sensitive to political events. "Political uncertainty does affect confidence, but primarily in the urban areas."

Bhutto to meet her lawyers

Benazir Bhutto, Pakistan's opposition leader, will fly from London to Dubai this week to meet her lawyers in the first face-to-face contact with her legal defence team since her conviction by a Pakistani court on charges of corruption, Farhan Bokhari reports from Islamabad.

Ms Bhutto was in the UK when she was sentenced earlier this month along with Asif Zardari, her husband, to a jail term, confiscation of property, a fine and disqualification from holding public office, on charges of taking kickbacks from Société Générale de Surveillance (SGS), the Swiss customs pre-inspection company.

Leaders of Ms Bhutto's Pakistan People's party (PPP) say they have advised her not to return to Pakistan until an appeal against the verdict is accepted for hearing by the country's supreme court. Her lawyers will also seek bail before arrest.

"I am very distressed by ministers who seem to know the supreme court verdict even before hearings begin," she said in London. "They [ministers] are saying that I should be ready for the day of reckoning. How can they know that?"

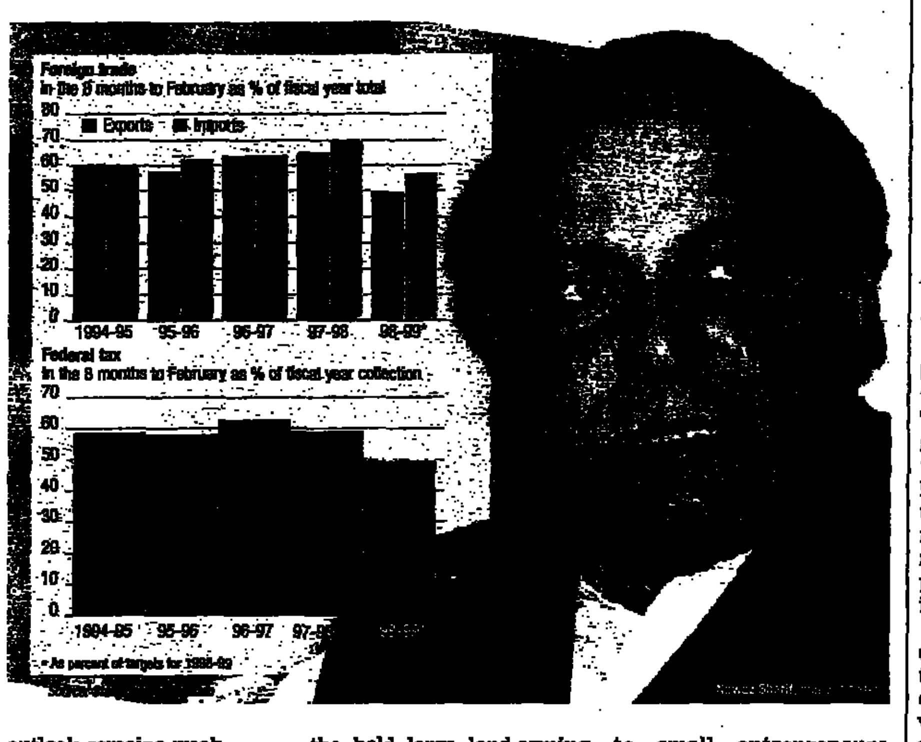
Ms Bhutto described as a "kangaroo court" the special anti-corruption court that handed down the sentence.

She has also called the judge who presided over the trial a family associate of Nawaz Sharif, the prime minister, adding that the trial's outcome was influenced by Mr Sharif's desire to have her removed from the political scene. The judge has denied the charge.

Ms Bhutto is the daughter of Zulfikar Ali Bhutto, who as prime minister in 1977 was overthrown in a military takeover and hanged two years later on a controversial murder charge. The Bhuttos are among the largest landowners in Pakistan's southern province of Sindh.

Sharif: more power, more problems

Pakistan's PM is firmly in political – but not economic – control, writes **Farhan Bokhari**



The state visit to Russia by Nawaz Sharif last week – the first by a Pakistani leader in more than two decades – was trumpeted by the state-controlled television channel as bolstering the prime minister's credentials abroad.

Recent events have also bolstered his position at home. Just days before he left for Moscow, Benazir Bhutto, the opposition leader and Mr Sharif's arch-rival, was convicted by an anti-corruption court. Ms Bhutto and her husband, Asif Zardari, were charged with taking bribes from Société Générale de Surveillance (SGS), the Swiss customs inspection company, when she awarded a contract while prime minister.

Unless the conviction is overturned by the supreme court on appeal, Ms Bhutto faces disqualification from public office, a five-year jail term, a fine of $8.6m and confiscation of all her property.

Ms Bhutto's humiliating downfall is the latest in a string of successes Mr Sharif has had in removing potential threats to his regime. During his two years in office Mr Sharif has seen the resignations of a president, a chief justice of the supreme court and a military chief after they had criticised the prime minister's policies.

At the same Mr Sharif has removed the power of the president to sack the prime minister – used three times in the past decade, including against Mr Sharif during his first term.

While Mr Sharif's decision last year to order Pakistan's first nuclear tests in swift response to those carried out by neighbouring India brought condemnation from around the world, it was much applauded at home.

Mr Sharif's critics say that the power he has accumulated by removing potential threats to his regime does little to change the reality that he is in charge of an increasingly difficult country to govern.

"If power was just the measure of the fact that nobody is in a position to remove Nawaz Sharif, then he's a very secure leader," says a western diplomat. "But if the assessment is of his government's ability to improve Pakistan's outlook, then it is an unimpressive performance."

While Pakistan has successfully concluded a loan agreement with the International Monetary Fund and a debt restructuring agreement with the Paris club of official creditors to stave off an impending foreign debt crisis, its economic outlook remains weak.

The central bank earlier this month scaled down its estimate of economic growth for the financial year to June to between 3.5 and 4 per cent, mainly because of the failure of this year's cotton crop. The growth target was 6 per cent.

Tax collections for the first eight months of the financial year are lower as a percentage of the annual collection target than during comparable periods in the past five years. Exports during the first eight months have also lagged behind official targets. The figures have begun to alarm bankers, who say that the IMF programme may eventually collapse if the government continues to fall to meet its targets. The Fund's support is considered vital in restoring badly battered investor confidence.

'Instead of being on our nuclear development, the emphasis should be on economic and social development'

"The credibility that would allow businessmen to believe the government is not there," says Salman Taseer, a former politician turned businessman. "There's no serious thinking about issues like privatisation or improvements in revenue collections which have to be the essential part of any strategy."

Many businessmen point to the government's decision to investigate the country's 19 private power companies on allegations that they bribed officials under the Bhutto regime as an officially backed vendetta against an initiative of the Bhutto regime. The investigators have so far presented no proof publicly to support their case.

With one eye on planned celebrations on the anniversary next month of the nuclear tests, some critics have used Mr Sharif's visit to Moscow to draw comparisons with the nuclear superpower that collapsed economically.

"Instead of celebrating our nuclear development, the emphasis should be on economic and social development," says Ghazi Salahuddin, a political columnist. "Weapons of mass destruction don't solve your problems, and they didn't work for Russia."

There are indeed some fundamental problems that Pakistan has to address. Its annual population growth rate of 2.6 per cent is among the highest in the world. Its literacy rate of between 25 to 30 per cent hampers its ability to industrialise. Poverty and illiteracy contribute to the hold large land-owning families have over the countryside, while in the cities corporate culture is still mainly dominated by a select group of industrial families, many of whom are accused of defaulting on billions of rupees in domestic bank debts. Such families have resisted efforts to get them to repay their loans, using their clout with influential politicians.

Mr Sharif's responses to the challenges facing him include plans to give loans to small entrepreneurs, which is being seen as a largely populist move. The banks, meanwhile, are still burdened by more than Rs150bn ($3bn) in loans subject to default.

"The real test of Mr Sharif's power is not political power, because he's now capable of removing everyone opposed to him," says one leading businessman. "The real test is the ability to tackle important issues, the make or break for this country's future."

NZ poll vote plan irks politicians

By Terry Hall in Wellington

The ruling National government has aroused bitter opposition from all other New Zealand political parties by promising to hold a referendum next year on the future of the unpopular proportional voting system introduced three years ago.

The sharpest criticism came from junior parties that support the government of Mrs Jenny Shipley – and would lose virtually all their seats if the "mixed member proportional" (MMP) voting system is dismantled.

The MMP system is modelled on the German style of government and gives people one vote for the party and another for a local candidate. It replaced the Westminster-style "first past the post" parliamentary system for the first time in the last general elections in 1997, and led to a coalition government of National and New Zealand First.

Shortly after being appointed prime minister in a "coup", Mrs Shipley, the National party leader, in effect broke up the coalition and has continued to run the country with the support of a number of small parties and breakaway MPs – members of – most of them in parliament only because of the MMP system.

Richard Prebble, head of ACT, the National government's junior coalition partner, led criticism of Mrs Shipley for proposing the referendum. He suggested Mrs Shipley and her National supporters wanted to return to the old system because it favoured her party.

Mrs Shipley said that if National was re-elected it would hold two referendums. The first would offer voters four options: first past the post; supplementary member; single transferable vote; and a preferential system similar to that used in Australia. A subsequent referendum would pit the winning option against MMP.

NEWS DIGEST

MALAYSIAN ANGER AT PHILIPPINES

Visit by Anwar's wife prompts protest

Malaysia protested yesterday against a private visit to the Philippines by the wife of Anwar Ibrahim, the sacked and jailed deputy prime minister, and warned Manila against interfering in its domestic affairs.

Mr Anwar's wife, Wan Azizah Wan Ismail, has formed an opposition party to challenge Mahathir Mohamad, the prime minister, in the general election that must be called within the next year.

"I think this is a very serious matter and therefore I have asked my officials to call the Philippine ambassador to state our unease toward Wan Azizah's visit as president of a domestic party," Syed Hamid Albar, the foreign minister, told the state news agency, Bernama.

Dr Wan Azizah is to visit Manila on Wednesday as a guest of the Rotary Club. "Malaysia views seriously any country that gives her room to develop her political [agenda]," Mr Syed said. **Sheila McNulty, Kuala Lumpur**

SOUTH KOREA

Strike wave recedes

Labour strikes in South Korea last night appeared to be collapsing as Seoul underground transport workers, who triggered industrial unrest a week ago, said they were preparing to return to work.

Some 1,500 workers were leaving Seoul National University, where they rallied to protest at proposed job cuts. Many underground workers had already returned to their jobs yesterday under a government threat to dismiss them.

A government show of force on Sunday night, when riot police smashed through union barricades at the university, contributed to wavering support for the strikes. The union at Korea Telecom, the state-run telephone operator, failed to joined protests as expected yesterday because of a lack of worker support for industrial action. But Daewoo's shipbuilding division remained on strike.

The Seoul share index rose by 3.4 per cent to close at 776 points as worries about labour unrest eased. Kim Dae-jung, the Korean president, postponed a meeting with business leaders until today to discuss corporate restructuring in a move to cool passions over job cuts. **John Burton, Seoul**

VIETNAMESE TRADE

Exports decline 6.9%

The value of Vietnam's exports fell by 6.9 per cent during the first four months of the year to just over $3bn, according to official estimates, the worst export performance recorded since the country embarked upon its programme of economic reform in the early 1990s.

During the same period, Vietnam's imports fell even more dramatically by 13.8 per cent to $3.32bn. The steep fall in imports reflects government efforts to reduce pressure on Vietnam's balance of payments by restricting the import of consumer goods, steel, cars, motorcycles and other items.

As a result of the declining trade volumes, Vietnam's trade deficit for the first four months of the year stood at just $312m, against $612m during the same period last year.

The exports fall reflected in part reduced shipments of rice, coal, cashew nuts, coffee and tea, while a 25 per cent increase in the volume of oil exports was off-set by lower world prices. Overall, the value of exports from the foreign invested manufacturing and processing sector has also stagnated, increasing by just 1 per cent to $678m during the first four months. **Jonathan Birchall, Hanoi**

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1990=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1988	272.5	−100.2	−108.4	1.1833	100.5
1989	330.2	−99.3	−94.6	1.1017	104.9
1990	309.0	−79.3	−72.1	1.2745	100.0
1991	340.5	−53.5	−4.6	1.2391	98.5
1992	345.9	−65.2	−43.5	1.2957	96.5
1993	397.3	−98.7	−73.6	1.1705	99.5
1994	432.3	−127.0	−104.4	1.1857	97.6
1995	452.3	−122.8	−89.2	1.2928	91.8
1996	499.0	−135.9	−107.7	1.2526	96.6
1997	609.4	−160.5	−137.2	1.1309	104.4
1998	607.6	−205.6	−207.9	1.1229	109.5
1st qtr.1998	159.6	−48.2	−43.2	1.0874	109.1
2nd qtr.1998	151.4	−55.8	−51.7	1.1020	110.8
3rd qtr.1998	148.8	−53.7	−58.7	1.1196	112.6
4th qtr.1998	148.4	−48.3	−53.9	1.1824	105.6
March 1998	53.4	−17.7	n.a.	1.0857	109.1
April	51.1	−18.7	n.a.	1.0937	108.7
May	49.9	−19.5	n.a.	1.1102	110.2
June	50.4	−17.6	n.a.	1.1022	112.3
July	49.8	−18.0	n.a.	1.0992	113.0
August	49.9	−18.9	n.a.	1.1028	114.8
September	49.1	−16.8	n.a.	1.1569	109.9
October	49.4	−15.4	n.a.	1.2021	105.4
November	50.2	−16.7	n.a.	1.1690	106.3
December	48.7	−16.2	n.a.	1.1762	105.2
January 1999	48.4	−19.1	n.a.	1.1597	104.1
February	49.5	−22.1	n.a.	1.1199	106.0

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1988	220.3	78.5	67.8	161.51	115.9
1989	246.6	74.7	60.1	151.87	110.8
1990	221.3	55.5	36.2	183.94	99.9
1991	249.4	79.2	59.2	166.44	108.4
1992	256.4	93.2	83.5	164.05	113.6
1993	300.1	118.2	110.1	130.31	136.5
1994	324.9	121.1	109.9	120.99	147.0
1995	331.6	101.2	86.1	121.43	154.4
1996	320.1	66.6	53.1	136.24	134.0
1997	361.8	89.6	83.8	136.84	126.1
1998	333.6	109.6	108.4	146.69	116.2
1st qtr.1998	90.4	28.9	27.7	139.32	121.2
2nd qtr.1998	83.7	28.5	25.6	149.56	114.3
3rd qtr.1998	79.2	25.2	26.5	156.64	110.5
4th qtr.1998	80.9	27.1	28.0	141.24	127.0
March 1998	29.5	9.3	8.2	140.17	120.5
April	28.6	9.5	6.5	144.28	117.8
May	28.0	10.9	10.2	149.80	114.5
June	27.1	8.2	9.0	154.60	110.6
July	27.0	8.2	7.9	154.66	110.5
August	28.0	8.6	9.1	159.70	107.5
September	26.2	8.4	9.4	155.56	113.4
October	27.1	9.4	9.6	145.38	124.7
November	26.7	8.8	9.9	140.66	128.3
December	27.0	9.0	9.0	137.66	129.7
January 1999	29.5	11.7	10.5	131.41	134.2
February	27.9	8.7	8.6	130.51	132.1

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1988	289.0	65.1	43.0	2.0739	96.6
1989	327.9	68.8	54.7	2.0681	95.9
1990	340.6	53.9	40.4	2.0537	100.0
1991	343.0	11.7	−15.2	2.0480	99.2
1992	341.5	17.3	−15.3	2.0187	102.1
1993	321.7	30.1	−11.8	1.9337	106.1
1994	353.7	36.4	−16.8	1.9198	106.4
1995	382.6	43.5	−16.6	1.8509	111.9
1996	403.4	50.3	−10.6	1.8844	108.9
1997	455.0	59.7	−3.6	1.9584	103.9
1998	483.6	65.2	−8.1	1.9728	104.1
1st qtr.1998	121.2	15.9	−4.5	1.9777	102.7
2nd qtr.1998	123.4	17.3	2.7	1.9756	103.7
3rd qtr.1998	121.5	16.8	−4.3	1.9716	104.7
4th qtr.1998	117.7	15.3	−1.9	1.9682	105.4
March 1998	40.1	6.3	3.5	1.9835	102.5
April	42.1	5.7	0.8	1.9816	103.0
May	40.3	6.9	0.4	1.9697	104.1
June	41.0	4.7	1.5	1.9754	104.1
July	41.5	5.9	−0.6	1.9758	104.2
August	40.3	5.0	−2.4	1.9724	104.7
September	39.7	5.8	−1.3	1.9668	105.4
October	39.8	5.5	−2.5	1.9699	105.8
November	39.9	6.7	1.1	1.9660	105.2
December	38.0	3.1	−0.5	1.9627	105.1
January 1999	39.4	6.2	−4.3	1.9559	104.6
February	40.2	5.9	0.2	1.9558	103.7

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exch. rate
1988	149.5	−8.3	−3.6	7.0354	96.9
1989	171.3	−10.6	−3.8	7.0169	98.0
1990	176.0	−12.1	−7.6	6.9202	100.0
1991	182.2	−9.9	−5.2	6.9643	98.3
1992	186.6	−0.3	3.0	6.8420	101.5
1993	177.9	8.3	8.1	6.6281	105.0
1994	196.4	6.9	5.4	6.5659	106.1
1995	214.7	8.2	8.3	6.4460	109.2
1996	223.9	11.3	16.0	6.4068	109.1
1997	257.4	25.0	34.8	6.5925	105.6
1998	273.3	22.9	35.8	6.6137	106.1
1st qtr.1998	68.0	5.4	7.9	6.6273	105.0
2nd qtr.1998	68.1	5.2	8.6	6.6238	105.7
3rd qtr.1998	69.1	6.7	9.3	6.6105	106.5
4th qtr.1998	68.0	5.6	10.0	6.5931	107.3
March 1998	22.7	1.7	1.7	6.6493	104.8
April	22.8	2.0	3.4	6.6428	105.1
May	22.5	1.5	3.4	6.6051	106.1
June	22.8	1.7	1.7	6.6235	105.9
July	22.9	2.0	4.2	6.6243	106.0
August	22.8	1.7	2.1	6.6123	106.4
September	23.6	2.9	3.0	6.5849	107.1
October	22.2	1.4	3.7	6.5949	107.6
November	23.0	2.0	3.4	6.5923	107.1
December	22.7	2.2	2.9	6.5819	107.1
January 1999	21.7	1.4	2.4	6.5596	106.7
February	21.3	1.4		6.5597	106.0

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1988	85.9	−7.0	−4.3	1536.8	97.6
1989	99.6	−6.8	−6.4	1509.2	98.5
1990	105.1	−7.3	−10.1	1523.2	100.0
1991	108.3	−8.3	−15.2	1531.3	98.6
1992	113.3	−6.5	−18.6	1591.5	95.5
1993	137.5	17.2	8.3	1836.7	80.4
1994	159.1	18.5	11.8	1808.6	76.9
1995	196.9	23.5	22.6	2106.4	69.3
1996	200.8	34.9	32.7	1932.1	75.7
1997	209.2	27.4	32.5	1924.0	76.3
1998	215.6	24.5	23.3	1947.3	75.9
1st qtr.1998	52.8	3.2	2.4	1948.6	75.3
2nd qtr.1998	57.3	7.0	7.1	1948.7	75.7
3rd qtr.1998	52.6	8.9	9.7	1945.8	76.3
4th qtr.1998	52.9	5.4	4.2	1945.9	76.5
March 1998	20.6	2.3	3.0	1953.3	75.2
April	18.8	1.5	0.7	1957.6	75.2
May	18.6	2.8	2.7	1942.5	76.0
June	19.7	2.6	3.7	1946.2	76.0
July	21.7	5.4	6.4	1948.1	76.0
August	12.9	2.7	2.4	1946.0	76.2
September	17.9	0.7	0.9	1943.2	76.6
October	18.9	2.5	1.6	1948.8	76.8
November	17.4	1.4	0.9	1946.6	76.4
December	16.5	1.5	1.6	1943.5	76.4
January 1999	13.3	0.2		1936.3	76.1
February				1936.3	75.6

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1988	121.5	−32.4	−26.4	0.6643	105.4
1989	137.6	−36.7	−34.9	0.6728	102.3
1990	143.1	−26.2	−27.3	0.7150	100.0
1991	148.4	−14.6	−12.0	0.7002	100.7
1992	146.6	−17.7	−13.7	0.7359	96.9
1993	158.9	−17.1	−13.6	0.7780	89.0
1994	174.8	−14.3	−1.9	0.7736	89.2
1995	187.7	−14.3	−4.6	0.8190	84.8
1996	208.6	−16.3	−0.7	0.8026	86.3
1997	248.8	−17.2	9.1	0.6906	100.5
1998	241.6	−30.4	2.2	0.6775	103.9
1st qtr.1998	62.7	−6.4	−1.0	0.6606	105.4
2nd qtr.1998	62.1	−7.2	−1.8	0.6685	105.4
3rd qtr.1998	60.7	−7.8	3.5	0.6774	104.4
4th qtr.1998	58.4	−8.9	1.4	0.7055	100.6
March 1998	21.2	−2.3	n.a.	0.6532	106.8
April	21.7	−1.9	n.a.	0.6536	107.1
May	20.1	−2.9	n.a.	0.6783	103.4
June	20.9	−2.4	n.a.	0.6783	105.4
July	20.8	−2.0	n.a.	0.6688	105.3
August	20.5	−1.9	n.a.	0.6757	104.8
September	19.4	−3.8	n.a.	0.6877	103.3
October	18.8	−2.5	n.a.	0.7091	100.7
November	18.8	−3.3	n.a.	0.7034	100.8
December	18.8	−3.2	n.a.	0.7041	100.4
January 1999	17.8	−4.0	n.a.	0.7024	99.6
February			n.a.	0.6860	100.8

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

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SOCIAL SECURITY AS REFORM FALLS OFF THE AGENDA, WHITE HOUSE AND CONGRESS WILL ARGUE OVER DEFENCE INSTEAD

Debate on spending ready for revival

By Deborah McGregor in Washington

Social security reform may now be off the legislative priority list this year but the surpluses generated by the retirement fund are stoking a fresh debate between the White House and Congress over spending priorities.

The centrepiece of the budget was withdrawn by Republican congressional leaders, who faced serious internal divisions over how an overhaul should be structured.

Republicans were also wary of presenting a detailed plan that would draw fire from Democrats on an issue that has been politically radioactive in the past.

Many Republican senators, including Trent Lott, the Senate majority leader who put the official nail in the social security coffin in a television interview on Sunday, have vivid memories of the political damage the party suffered in the 1980s when they tried to tackle the issue.

Neither side wants to sound the death knell explicitly for what was to have been the big policy initiative this year. "We believe there is still an opportunity for social security reform this year," said Joe Lockhart, White House spokesman, yesterday.

Some House Republicans also voiced their desire to keep the debate going, even if there is no agreement on a specific proposal. But Mr Lott's verdict is unlikely to be overturned.

The policy void is unlikely to last long. Republicans have already switched their attention to increased defence spending, vowing to nearly double the $6bn in emergency spending for the war in Yugoslavia requested by President Bill Clinton.

Many Republicans want to use the emergency spending request to boost military pay and refurbish the US armed forces worldwide.

For his part, Mr Clinton has urged Republicans not to adorn the funding request with other spending proposals. But he is unlikely to veto a bill that is so vital to the administration's ability to prosecute the war.

In providing funding for the war, both sides are being forced to eat their words about locking away social security surpluses. The war, and any other domestic spending priorities that arise this year, can only be funded from the social security funds, since there are no federal surpluses outside social security. That means the emergency war costs will come directly from the $111bn in social security surplus in the current budget year.

It also means that Republicans, who still want to provide tax relief as part of their domestic agenda, will have to wait until 2001, when surpluses are scheduled to materialise in the non-social security part of the budget.

Some Republicans are hoping that the June economic update from the Congressional Budget Office will yield good news in the form of a projected surplus for 2000. That would give the tax-writing House ways and means committee a pot of money to work with in putting together tax cut legislation by mid-July.

But that will depend on a revenue windfall that some budget analysts are already predicting may not be as great as had been previously expected.

With efforts at shoring up social security stalled, there may be little urgency to resurrect the issue immediately. The fund is projected to remain solvent without changes until 2034.

If nothing else, the latest developments will force both parties to decide whether they want to live within the tight spending caps that were set in place by the 1997 balanced budget agreement. Last year, Democrats and Republicans ended up breaking through the caps by about $21bn, mainly by designating funds for domestic priorities as "emergency" spending.

Conservative Republicans vowed they would not tolerate such a move again. But this year may yet see a repeat of that debate.

US workers going on strike again – because they can

By Betty Liu in Natchez

The sight has become something of a norm in Natchez, Mississippi. Above the pews at the Christian Hope Baptist Church, dozens of red and white picket signs bob over the heads of striking tyre workers as their union leader, John T-Bone Bradley, attacks Titan International.

"We're tired of companies taking jobs to Mexico. We're tired of the free trade influx of imports. It's time to stop the exploitation and suppression of the American worker," he cries, shaking his fist toward the roaring crowd.

There is an anecdotal evidence that the American worker is making something of a comeback. Emboldened by brisk economic growth and a fat surplus of jobs, US employees seem in some cases no longer to fear demanding better treatment and benefits from their employers.

With unemployment brushing a 30-year low, many workers are finding the odds are falling in their favour; their fights, waged on all industry fronts, have been surprisingly successful. The number of work stoppages in 1998, for instance, rose to 34 from 29, reflecting the growing number of employees going on strike.

At Titan, 1,100 workers in the Mississippi and Iowa plants have been striking for almost a year. Helped by the United Steelworkers of America, the employees say Titan, a mid-sized supplier of off-highway tyres which has been built up by acquisition, has taken away retirement benefits, threatened to move jobs overseas and is forcing them to work for weeks without a day off.

Their demands are bold: a substantial wage increase along with their already generous profit-sharing package. Their tactics are brash. Union members travelled to the company's Brownsville, Texas, plant to draw media attention to the fact that the facility was not near completion, prompting Texas legislator Jim Solis to look into allegations Titan was wasting millions of dollars in tax incentives from the state.

The employees have had some success. A federal judge found Titan guilty of unfair labour practices earlier this year and ordered the company to rehire all 670 Des Moines, Iowa, strikers after negotiations are settled. That wiped out Titan's plans to replace them with new employees. Union members, dubbed road warriors, have travelled the country to solicit support from other Titan employees and there are indications that workers at another Iowa plant could strike once their contract expires at the end of June.

Titan, which also owns plants in Europe and South America, suffered losses in the second half of 1998 and managed to earn only $100,000 in the first quarter of this year.

Its stock has plunged to about $9 from around $22 when the Des Moines workers first began picketing in May last year.

Even with the hiring of temporary workers, Titan's plants in Natchez and Des Moines are running at only about 50 to 60 per cent of full capacity.

"You can't take and retrain 1,100 people and expect you are going to be running like nothing happened," Maurice Taylor, Titans chief executive, says.

He maintains the company is not planning to move jobs overseas, though it just bought a 40 per cent stake in an Indian steel wheel plant. Mr Taylor says the company is paying wages above the industry average and notes that a new profit-sharing programme has given each worker in Des Moines about $1,100. Though he remains defiant, the flamboyant midwesterner concedes the union holds all the cards.

Perhaps most baffling is that union leaders admit the two sides are not really that far apart on specific points, so highlighting that the workers are fighting for a whole range of broader issues – a better quality of life, higher wages, generous health and retirement benefits – simply because they can.

Chávez's way clear for reforms

By Raymond Colitt in Caracas

Chávez: popular support

Only a few weeks ago President Hugo Chávez was enmeshed in a bitter power struggle that threatened to trigger a prolonged constitutional crisis in Venezuela, while the economy tottered on the brink of collapse.

Both Mr Chávez's career and his ambitious reform agenda appeared in jeopardy.

Today, the former paratroop commander and coup leader has cleared many of the obstacles to begin implementing his campaign promise of far-reaching political reform, while the prospects for economic recovery have improved considerably, albeit in part due to higher oil prices.

At the weekend Mr Chávez secured popular support in a plebiscite for plans to convene a constituent assembly to redraw the country's political map by drafting a new constitution. Around 90 per cent of voters backed the proposal, though abstention reached 60 per cent.

Federico Kaune, Latin America analyst with Goldman Sachs in New York, said yesterday: "The outlook has improved dramatically from four to six weeks ago. He has more powers but more importantly the oil price is up."

Mr Chávez says his new assembly would, among other things, depoliticise the judiciary, eliminate corruption, and strengthen democracy by promoting popular participation. Its 131 members are to be elected in late June before convening on July 5 for six months.

The country's traditional political parties are widely accused of corruption and mismanagement during their 40 years at power, leading to increasing poverty and the collapse of basic public services.

Mr Chávez has insisted the constituent assembly will have the right to dissolve congress and the supreme court despite a contrary ruling recently by the court.

Yet some analysts say Mr Chávez's fiery rhetoric is all part of his negotiating tactics with his adversaries.

"At critical moments he has shown a conciliatory stance and thus far has remained within constitutional bounds," says Luis Vicente León, a political analyst. He says Mr Chávez may agree to the assembly not dissolving congress and supreme court until after a new constitution is adopted early next year.

After a fierce confrontation with Congress earlier this month, Mr Chávez last week obtained vast powers to help reduce the budget deficit, simplify the overgrown state machinery, and diversify the oil-dependent economy. Legislators have granted him the right to raise new debt of $3.8bn on top of an authorised $3.9bn, shut down inefficient state offices, and reallocate parts of the budget.

Mr Chávez will be able to issue decrees to legislate for power, mining, and gas sectors, promoting their opening to the private sector.

The recent oil price recovery has also improved investor sentiment, says James Barrineau, Latin America economist with Alliance capital, a US investment fund. "It's a new honeymoon. It buys Chávez time," he says.

As a result of renewed optimism, the Caracas stock exchange surged by more than 30 per cent over the last two weeks. According to Agustin Cangas, president of Merinvest, a local investment bank, the market had been so heavily discounted it could jump as much as 100 per cent in coming months.

NEWS DIGEST

FDA REGULATION

Supreme Court to consider nicotine move

The US Supreme Court yesterday agreed to decide whether President Bill Clinton's decision to give the Food and Drug Administration the authority to regulate nicotine as a drug is constitutional.

The move is a potential blow for the tobacco industry, which last year successfully argued before a federal appeals court that the action was illegal. The court in Richmond, Virginia, ruled by 2-1 that only Congress has the power to give the FDA formal authority to regulate tobacco products.

It comes as tobacco companies are reeling from several recent lower court rulings that awarded substantial financial damages to families of smokers.

Although the industry last year reached a $206bn settlement with states to settle outstanding lawsuits, it is also being threatened by the prospect of the US Justice Department filing a federal lawsuit to recover the cost of treating smoking-related illnesses.

Mark Suzman, Washington

PENSION FUND VOTE

Poison pills condemned

The world's largest pension fund, TIAA-Cref, has won overwhelming support for shareholder resolutions opposing poison pill plans at two US companies.

The fund filed resolutions against so-called "dead hand" poison pills at Lubrizol, a chemicals group, and Bergen Brunswick, a drug wholesaler. The resolutions were approved by 68 and 74 per cent of the shares voted at the annual meeting, respectively.

"These votes clearly show that dead hand provisions are completely unacceptable to shareholders," said Peter Clapman, the pension fund's head of corporate governance.

Dead hand poison pills are a takeover defence which prevents acquisition of a company even if a majority of shareholders favour it, by preventing anyone but incumbent directors from removing the pill.

TIAA-Cref also said it was expanding its initiative against dead hand pills, and would file resolutions and withhold voting support for director nominees at any companies that had adopted them this year.

Daniel Bögler, New York

URUGUAYAN PRIMARIES

Veteran politicians favourites

Uruguayans chose a trio of veteran politicians as the main parties' presidential candidates ahead of elections on October 31, according to preliminary results from party primaries on Sunday.

Former president Luis Lacalle was voted candidate for the centre-right National party, while Tabaré Vázquez, a former mayor of Montevideo and 1994 presidential contender, won a landslide victory in the Frente Amplio left-of-centre coalition.

A veteran senator and repeated presidential contender, Jorge Batlle, appeared to have clinched a narrow victory in the ruling centrist Colorado party, defeating Luis Hierro, the candidate favoured by outgoing President Julio Sanguinetti.

The simultaneous primaries were the country's first, following electoral reform in 1996. Previously, parties could field multiple presidential candidates, allowing presidents to be elected with only a fraction of the popular vote, often weakening their authority. **Ken Warn, Buenos Aires**

JAMAICAN TOURISM

Campaign to win back visitors

Jamaica's tourism industry is planning a new campaign to lure back visitors after the unrest last week that set alarm bells ringing in overseas markets.

A new advertising campaign will begin airing on cable television in the US on Thursday. Tourism officials will also launch a new sales blitz aimed at travel agents and conference planners.

"This recovery programme is vital for the survival of our tourism industry. All Jamaica is depending on it," Francis Tulloch, the tourism minister, told a news conference.

Demonstrators took to the streets of Kingston and other towns last week to protest at fuel tax increases. At least seven people were killed.

The violence prompted several international airlines to suspend flights to the Caribbean island, while the US, Britain and other countries issued travel warnings. The flights have since resumed, and the travel warnings have been lifted.

Tourism is Jamaica's main source of foreign revenue. The unrest came just as the $1bn-a-year industry was showing signs of recovery. **Reuters, Kingston**

Canada geese ruffle too many feathers

Cull them? Cook them? **Edward Alden** considers what to do with a nuisance

The Canada goose can be a magnificent bird. When migrating north from wintering grounds in the US, the geese form a gigantic "V", flying wing-to-wing like a squadron of fighter jets.

But the birds can also be a nuisance that, it appears, even normally placid Canadians are no longer willing to tolerate.

Mississauga, a suburb of Toronto, in the last few weeks has begun spraying mineral oil on the eggs of the nesting geese. The oil suffocates the embryos but the mother goose, thinking the eggs remain alive, does not lay another clutch.

The suffocated embryos may be the lucky ones. Mississauga's city council last year proposed to slaughter more than 2,000 of the fully grown birds.

A public outcry convinced the city to relocate the geese instead to remote areas of northern Ontario, but the city is considering a new cull this year if the birds cannot again be moved.

The story of the Canada goose could be a parable of North American urban development. Hunted almost to extinction by the end of the 1960s, the birds benefited as wildlife authorities in the US and Canada began restricting hunting. They protected the birds' nesting areas and reintroduced the geese in regions where they had been exterminated.

The protection campaign happened to coincide with the spread of suburbia, where homeowners wanted sprawling backyards for their barbecues and high-tech companies built "parks" with sweeping lawns and concrete fountains.

Cut most of the trees, add a few golf courses, seed everything with Kentucky bluegrass and you have "a dinner plate for Canada geese", says Liz White of the Animal Alliance of Canada.

And the geese have feasted. The Canadian Wildlife Service estimates the population of Canada geese in southern Ontario is now between 300,000 and 500,000.

Many of the geese are residents that live there year-round. But when the migrating birds arrive in June, the local populations can double and triple.

Nowhere is the problem worse than on the waterfront of Lake Ontario, one of the Great Lakes. Unlike the city of Toronto, which covered its waterfront in highways and high-rises, Mississauga built large parks for its citizens to spread a picnic blanket or stroll on a warm summer evening.

But the migrating geese flock to those same parks, covering the grass in feathers and droppings and hissing at people who venture too close. "You go down to the waterfront in June and it's like the Battle of Britain," says Bruce Carr, Mississauga's planning director and the head of the greater Toronto goose control committee. Last summer, he says, 2,700 geese made a temporary home in the waterfront parks.

Mississauga is not alone in fighting what it sees as a plague of geese. Rockland county, a suburb of New York City, was the first to propose killing geese in 1993 and began carrying out a kill in 1996.

The Minnesota twin cities of Minneapolis and St Paul have also killed geese and Seattle on the west coast has proposed a kill, though it has been blocked by a lawsuit.

The US Fish and Wildlife Service is soon to publish new regulations that will allow cities and towns to eliminate nuisance geese without first getting federal approval.

Critics say that while the cities are all too eager to slaughter the geese or smother their eggs, they have failed to take some simple steps that would discourage the birds from coming in the first place.

Canada geese favour large open parks near water, which allow them not only to feed on grass but to steer clear of predators.

Breaking up large parks with hedges or fences, sowing different types of grass or just allowing weeds and wildflowers to grow back are all ways to discourage the geese from loitering, say animal activists. Killing or relocating thousands of birds may temporarily offer some relief, but unless the environment is changed other geese will just fly in to take their place, says Ms White.

Some cities, such as Mississauga and Minneapolis, have attempted to blunt some of the environmentalists' criticism with an apparently liberal proposal: feed the geese to the homeless.

But some unsettling findings may discourage that tactic as well. When New York's department of health tested some of the slaughtered geese two years ago, it found that levels of lead and other toxics in the birds were so high they were barely fit for consumption.

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N IRELAND PLAN TO BREAK DEADLOCK

Deal 'without IRA arms handover' is rejected

By John Murray Brown in Dublin

David Trimble, first minister in the new Northern Ireland administration, yesterday dismissed an attempt by John Hume, leader of the *moderate nationalist* Social Democratic and Labour party, to break the deadlock in the peace talks.

Mr Hume suggested at the weekend that the full regional administration *could be set up without any* handover of weapons by the Irish Republican Army if Sinn Féin, the IRA's *political* wing, gave assurances that it would exclude itself from office if the IRA resorted to violence.

Sinn Féin welcomed the plan. Gerry Adams, the Sinn *Féin president, said it* provided a basis for making progress "if David Trimble goes for it". But Mr Trimble said: "The Hume formula by itself is unlikely to succeed. I think that rather than introduce new elements into the picture we're better to continue working on the proposals the [UK] prime minister put forward."

He urged political parties to stick to the suggestions made by the governments of the UK and Republic of Ireland on April 1 which envisaged the executive being set up in tandem with some IRA arms being "put beyond use" as part of a national day of reconciliation to mark all the victims of the Troubles.

Mr Trimble said: "Words are fine. In fact it would be positive if clear commitments were given by the paramilitaries to decommissioning and of course they haven't done that. People need to focus on the proposals that were put forward at Hillsborough and work through them."

With the arms impasse deepening, it looks increasingly likely the British and Irish governments will be forced to suspend the process *over the tense summer* period when parties will be contesting the European elections and during the traditional marching season by the Protestant Orange Order.

The Rev Ian Paisley, *leader of the anti-agreement* Democratic Unionist party, who launched his bid to retain his European seat over the weekend, said the government was "very near to being forced to make a decision to park the process".

"The whole thing has *failed and has to be stopped.* They must recall the prisoners already released, and stop the Parades Commission and Patten Commission on reform of policing," he said.

The two governments yesterday denied that the search for a full settlement was being *suspended.* Junior Irish foreign affairs minister Liz O'Donnell said: "It was clearly expressed by all the parties that we do not have the luxury of parking [suspending] the process."

Meanwhile in the Irish Republic, police yesterday uncovered more than 1,500 *rounds of rifle ammunition* during a planned search operation. The ammunition had been hidden in a box on moorland near Tralee, County Kerry.

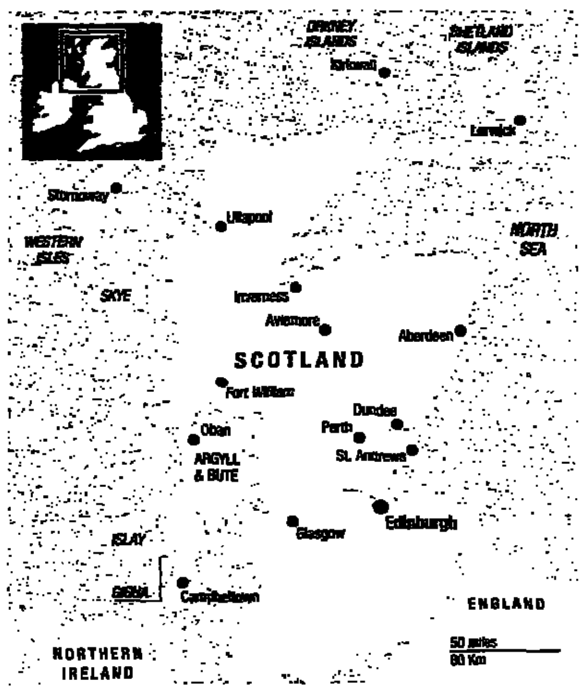
Farewell to Harvard means scholar can fight for Scotland

Nationalist who gave up US place to campaign for sparsely populated district with more than 20 islands talks to **Andrew Parker**

Duncan Hamilton, 25, gave up a scholarship at Harvard to fight the *first elections to the Scottish* parliament on May 6. He is a leading adviser to Alex Salmond, leader of the Scottish National party, who has adopted a gradualist approach to securing the *goal of an independent Scot*land. Mr Hamilton is himself seen as a possible future leader of the party.

He is the nationalist candidate in Argyll and Bute, a vast rural district straddling the west of Scotland. It stretches from Oban in the north to the Mull of Kintyre in the south, taking in 26 inhabited islands along the way.

The district is steeped in *nationalist history.* The stone of destiny, once used for the coronation of Scottish kings, was located at a settlement on the site of what now is Campbeltown. Mr Hamilton is "pressing the flesh" in *Parliament Place, a* run-down council estate, where a father of seven is complaining about the state of his three-bedroom flat. He wants a bigger one, and does not show interest either in the election or Scottish independence.



Mr Hamilton later uses all his skills of oratory on the island of Gigha trying to convince two of its 150 residents that independence could deliver better public services.

The son of a Church of Scotland minister, he does not give up easily in the quest for political converts.

"I would not be doing this unless I thought Scotland would be better off as an independent country. A lot of what it is to be a Scottish nationalist is about having that caring society – but that means wealth creation. Without wealth creation, all the best intentions in the world cannot come to fruition."

However, he describes independence as a "long-term goal" and admits *he is sympathetic to the val*ues of John Smith, the Labour party leader who died in 1994 and who was succeeded by Tony Blair.

Campaigning in Argyll and Bute, Mr Hamilton is *wooing voters* by *promising* that the SNP would run a responsible administration inside the UK. According to the regional council, the district has the second worst economy in Scotland. The main issues on the doorstep are the price of petrol and the poor state of the roads. The Office of Fair Trading is investigating allegations that oil companies have artificially inflated petrol and *diesel prices* in the Highlands and Islands.

John Brailsford, who catches lobster and other shellfish off Islay for live export to France and Spain, is moving his company's *head office from* the village of Ardfern to Barcelona in Spain to take advantage of the cheaper diesel and lower vehicle excise duty. He also complains about the strength of the pound.

O-Fish-Shell is one of only two large employers in Ardfern. But even though he criticises the economic strategy of the UK government, Mr *Brailsford has no appetite* for Scottish independence. "I think to be part of the UK is a stronger position to be in," he says.

Mr Brailsford will vote for George Lyon, who is standing for the pro-European Liberal Democrat party. A former president of the Scottish National Farmers' Union, Mr Lyon wants to ensure that rural issues receive adequate attention in the Scottish parliament.

Mr Lyon has always been the favourite to win the constituency on May 6 because the Liberal Democrats hold the Argyll and Bute seat in the House of Commons in London.

However, Mr Hamilton cannot lose. If he fails to win Argyll and Bute, he is virtually guaranteed a seat in the new Scottish parliament because of the proportional voting system.

While 73 members will represent districts directly in the parliament, there will be another 56 allocated to the parties according to their shares of the vote. Mr Hamilton can expect to be among them.

Welsh business leaders hit out

Welsh business leaders have warned that the region's new assembly is in danger of adopting too great an isolationist stance on the economy, ***Juliette Jowit writes*** **in Cardiff.** They focused their attack on Plaid Cymru (Wales party), the region's nationalist party. "Any policy which led towards a separatist Welsh state and independence would isolate indigenous Welsh business, deter inward investors and undermine the Welsh economy," 12 business leaders said in a joint statement.

They added that prosperity would be threatened by a strong representation of people in the assembly committed to an "inward and backward looking nationalist agenda".

Surprise choice for monetary committee

By Richard Adams, Economics Staff

Sir Alan Budd is to stand down as a member of the Bank of England's monetary policy committee in June, the Treasury said yesterday.

Sir Alan – a member of the committee since the Bank, the UK central bank, was granted independence almost two years ago – will be replaced as one of the four independent experts by Sushil Wadhwani, a hedge fund director and former academic economist. Mr Wadhwani was appointed by Gordon Brown, the chancellor, to a three-year term.

Described by a colleague as "not the sort of City analyst who pops up on television", the announcement of Mr Wadhwani's appointment came as a surprise for the financial sector, and disappointment for representatives of industry groups. Ian Peters, deputy-director of the British Chambers of Commerce, said: "We think this is an opportunity lost to strengthen the committee's business and industry credentials."

The British Retail Consortium *was also disappointed* by Mr Brown's decision. "This appointment was surprising, given the need for greater depth of understanding of the service industry, which is so important to the UK economy," said *Alastair* Epron, the consortium's deputy chairman.

Mr Wadhwani, 39, is director of research at the Tudor Group hedge fund in London, and previously worked as director as equity strategy at Goldman Sachs investment bank. After gaining a first class honours degree from the London School of Economics in 1980, he stayed on as a postgraduate student and lecturer until 1991.

Mr Wadhwani said he was delighted to be appointed to the committee, and was looking forward to taking an active role in formulating economic policy: "It's the sort of thing you dream about – but you never think it's going to happen," he said.

Ian Plenderleith, executive director of the Bank's financial market operations, was appointed to a further three-year term on the committee as a Bank representative.

Thatcher heirs fight over her policies

By Rosemary Bennett, *Political Correspondent*

Francis Maude, the Conservative party's shadow chancellor of the exchequer, last night made the party's most dramatic attempt yet to recapture the political middle ground when he vowed to fulfil the Labour *government's* spending pledges on health and education.

But internal opposition to the Conservative leadership's new thinking on social policy gathered momentum when two former ministers attacked the strategy.

*Michael Portillo, the for*mer minister who lost his seat in the House of Commons in the 1997 national elections, predicted the strategy would fail to convince voters the party was dedicated *to public services.* Alan Clark, an MP and minister under Margaret Thatcher, said the policy shift was evidence of poor leadership.

"I think the whole row looks bad and just shows how incompetently we are being led," said Mr Clark. "Parties should not have rows over major principles and policies."

In a speech to party activists in London, Mr Maude promised he would match the £40bn Gordon Brown, *the chancellor, has* earmarked for schools and hospitals over the next three years, and said he would not take issue with the plans from the opposition benches.

"I want to make this absolutely clear, without ambiguity, without scope for distortion: in opposition we will support, and in government we will implement, the increases in health and education spending announced by Gordon Brown," he said.

But Mr Maude offered a small concession to right-wing critics of the policy shift and said "partnership with the private sector" in the provision of public *services would* be explored.

Mr Maude is the latest figure to join the party's efforts to cast off the Thatcherite legacy. The strategy, launched last week by Peter Lilley, deputy leader, has angered rightwingers.

See Editorial Comment

Jewish community urged to be vigilant

By Jimmy Burns in London

Police have made hunting down the London nail bombers their top priority, Jack Straw, home secretary, said yesterday. Finding the perpetrators of the recent bomb attacks in which more than 50 people have been injured was now the key aim of "the whole of the Metropolitan Police Service", he said in the House of Commons.

He warned that while the bombers remained at large, there was plainly a risk that they may strike again. "We have to meet that threat with vigilance but without panic." Responsibility for the attacks in districts with high ethnic minority populations has been claimed by small groups of rightwing extremists.

"We are dealing with a different kind of organisation from the IRA or loyalist paramilitaries [in Northern Ireland] and to some extent more difficult to penetrate," Mr Straw said.

Saturday's nail bomb attack in London's Brick Lane, an area with one of the biggest expatriate Bangladeshi communities in the world, has ignited concern among senior police chiefs and community leaders that Britain could be facing a concerted extreme-right campaign against ethnic minority communities.

Yesterday, the Jewish community was warned by police and local leaders to be extra vigilant during what was described by security officials as a "potentially volatile period".

Senior police officers fear that after targeting the black and Asian communities with the first two bombs, the next victims could be Jewish. Police and intelligence officials looking for those who may be responsible have been revisiting the files of individuals linked to extremist groups that have in recent years split from rightwing or neo-Nazi political parties.

The most notorious of these groups is Combat 18 which in the early 1990s broke away from the British National party, the UK's principal far-right organisation, claiming the BNP's politics had gone "soft". Combat 18 takes its name from the first and eighth letters of the alphabet, which are the initials of Adolf Hitler.

Since the street violence between rightwing and leftwing groups surrounding the election of a BNP candidate as an East London councillor in 1993, the party has been concentrating on broadening its electoral appeal. By contrast, Combat 18 threatened to take the state head-on.

Among those claiming responsibility for the attacks is a group calling itself the White Wolves which in recent months has been sending threatening letters to potential targets in the black and Asian community.

Crime programme presenter killed

The presenter of a BBC television programme which enlists public help in police investigations was murdered outside her London home yesterday, **Sathnam Sanghera writes.** Jill Dando, 37, was the popular presenter of the Crimewatch programme. Neighbours said a smartly dressed middle-aged man was seen running from the area. Queen Elizabeth and Tony Blair, the prime minister, both issued statements condemning the crime.

Jill Dando

Optical chain plans to open 100 dental practices

By Peggy Hollinger in London

The drive towards healthcare in shopping malls was given an added boost with news yesterday that Specsavers, one of the big four chains of opticians, is planning to open 100 dental practices over the next three years.

Specsavers is the latest retailer to spot potential in the £2bn ($3.2bn) a year UK dental market. Boots, the big pharmacy chain, which is also one of the UK's leading opticians along with Vision Express and Dollond & Aitchison, recently announced plans to open six dental practices in its stores at a cost of £10m.

It is forecast that the dental market will grow by more than 17 per cent over the next four year, with the private sector fuelling most of this growth. Private treatment accounts for about 30 per cent of the overall market.

Retailers have been quick to spot the potential in healthcare with some supermarket groups such as J Sainsbury testing the provision of doctors' services in their stores. The moves reflect the increasing strain on resources in the state health service as the government investigates ways to cut costs by involving private companies more actively in healthcare services.

Specsavers said a growing number of patients were finding it difficult to use a dentist in the state service as changes in legislation introduced in 1990 resulted in a "mass exodus" into private practice. The strain provided an opportunity for Specsavers to offer high street services similar to that developed for the optical market, offering both state health service and private treatment.

Specsavers was founded 15 years ago by two opticians to develop joint ventures with optical professionals who run their own businesses but pay a management fee for administration, marketing and property.

The group, which includes 350 opticians' shops in the UK and Republic of Ireland with total sales of some £280m a year, claims that one in five people in the British Isles who wear spectacles are its customers.

NEWS DIGEST

INVESTMENT IN WALES

LG's $2bn semiconductor project may not go ahead

The Welsh Development Agency admitted yesterday the £1.3bn ($2bn) Korean LG semiconductor project in south Wales might not go ahead. The admission follows speculation over the future of the 1,700-job project during the recent collapse of the world semiconductor market and LG's sale to Hyundai, confirmed last week.

The revelation is certain to revive criticism of the scheme – part of the biggest inward investment projects in Europe – and other high-profile failures by investors in Wales. The development agency claims more jobs have been created than lost by overseas investment, but there are fears about the insecurity of non-UK investment and calls for more support for indigenous business. Much of the grant support will not be paid if the project does not go ahead, but £30m has already been spent on erecting a 90,000 sq m special factory and infrastructure. Some could be refunded if the plant is abandoned.

Pessimists fear Hyundai might abandon the Welsh plant in favour of its own moth-balled £2.4bn project in Scotland. But the company claims its new microchip technology should give it the edge. **Juliette Jowit, Cardiff**

LAW ON FRAUD

Reform moves published

Proposals to reform the law on fraud to try to ensure crimes such as credit card and internet theft can be prosecuted effectively were published yesterday by the Law Commission, the law reform body. The proposed changes were welcomed by credit card providers but the Serious Fraud Office said it was disappointed the commission was not advocating the introduction of a general offence of fraud.

There is a general consensus among lawyers, politicians and business leaders that change is needed. Most frauds are still prosecuted using a law of 1968 that was introduced when plastic cards were in their infancy and e-commerce unheard of. The Court of Appeal concluded five years ago that "the law is in urgent need of simplification and modernisation". **Jean Eaglesham, London**

UNAUTHORISED INVESTMENTS

Court orders $2.4m repayment

A man described by a High Court judge as "flagrantly and persistently dishonest" in his unauthorised investment business aimed at Asians in north-west England has been ordered to pay £1.5m ($2.4m) to restore money to investors. Losses are believed to amount to at least £2m. The Financial Services Authority won the order and several permanent injunctions against Shankernath Lukka of Didsbury, Manchester. Mr Lukka, a South African citizen, is thought no longer to be in the UK.

The court heard that Mr Lukka had dealt in shares and foreign exchange without authorisation. Targeting worshippers at mosques and other temples, Mr Lukka apparently entered into agreements based on trust with no written contracts. **Clay Harris, London**

SINGLE CURRENCY

'Only 1% of deals in euros'

Only 1 per cent of transactions by British companies outside the farming, banking and finance sectors were in euros during the first month of the single currency, according to a survey released by KPMG Consulting yesterday.

The survey, carried out by NOP, suggests that expectations of a rapid spread of euro use throughout British business after the launch by 11 European Union countries on January 1 may have been misplaced. However, the survey found the euro was used for a negligible number of domestic transactions in January, and was used in only 5 per cent of transactions with the eurozone, equating to 1 per cent of total transactions. **Kevin Brown, London**

MURDOCH NETWORK DISPUTE

New soccer chief named

The soccer Premier League has appointed Dave Richards as its new chairman, to replace Sir John Quinton who resigned last month with Peter Leaver, the League's chief executive, amid a dispute over their hiring of two former British Sky Broadcasting executives as highly-paid media consultants. BSkyB is the satellite television network in which Rupert Murdoch's empire is the biggest stakeholder. Mr Richards, whose first task will be to find a new chief executive, is expected to hold the chairmanship for at least a year, although it is possible the clubs might eventually decide to appoint an independent chairman from outside soccer. **Patrick Harverson, London**

UK 'behind rivals in use of internet'

By Peter Marsh in London

UK manufacturers are falling behind rivals in Germany, Scandinavia and the US in their use of the internet to speed up design work and form closer links with customers, a report from PricewaterhouseCoopers said yesterday.

The study by IBM, the US computer and consultancy group, and the Institute for Manufacturing at Cambridge University says UK companies are being hampered in their use of the internet by lack of knowledge about the technology, security fears and a tendency to give projects to specialised technology managers, rather than executives with all-round business responsibilities.

An estimated $20bn of products this year is being sold worldwide by companies to other businesses using the internet, a figure which dwarfs use of this medium by consumers. By 2001, such business-to-business use of the internet could grow to $180bn a year, the report says. The UK government's recent policy paper on competitiveness placed particular importance on encouraging more businesses to use such techniques in gaining an edge on rivals.

In the IBM/Cambridge University study, results from a survey of 200 manufacturing companies were matched with similar investigations of company attitudes to the internet across the rest of Europe and the US.

It found manufacturers in the US, Germany and the Nordic countries are ahead of those in the UK in terms of their use of the internet. German companies appear better at focusing on long-term needs of their businesses, and lining up internet applications that will be helpful, while US groups are better at putting business managers in charge of internet projects "so that progress is driven by solving business, not technology, needs".

Although most UK manufacturers appear to be aware of the ways that the technology could help their companies, only just over a third in the survey are using the medium to help sell products and services, with 14 per cent using it for collaborative design projects.

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PEOPLE ON THE MOVE

Kalff leads boardroom reorganisation at ABN Amro

Boardroom shufflings have begun at ABN Amro a year ahead of retirement day for Jan Kalff as chairman.

Slipping into a director's chair is **Joost Kuiper**, who rejoined the Dutch bank only last October. He had headed MeesPierson, the domestic investment banking offshoot which Kalff sold in 1996 to the Belgo-Dutch Fortis. But Kuiper stuck it there only 18 months.

After returning to run ABN Amro's treasury and fixed income operations, he takes joint responsibility on the board for the group's international division. That eases the workload of **Jan Maarten de Jong**, who becomes divisional chairman after the death last month of Michael Drabbe.

De Jong is also handing over the supervision of risk management to **Tom de Swaan**, the chief financial officer poached last year from the Central Bank. The moves are being read as freeing-up de Jong to learn his way into Kalff's job, for which he is tipped. Kalff himself insisted last week, though, that the succession would be settled only in the autumn.

Second in board seniority is the youthful **Rijkman Groenink**, though it was he who led a failed lunge last year at Belgium's Générale de Banque, which, to Kalff's anguish, was bagged by Fortis. Kuiper had a seat on the Fortis board but quit at that time, apparently out of concern that MeesPierson would be subsumed in a Brussels-based investment banking empire.

Gordon Cramb, Amsterdam

Senior changes at Komatsu

Komatsu Electronic Metals, the semiconductor division of Komatsu, the Japanese group, has announced a management reshuffle and named **Kunio Ikeda**, executive management director, as the new president, effective June 29.

He will replace **Eisuke Nakanishi** who is becoming chairman after serving as president for five years.

As part of the plans to rationalise its management, the number of directors will be reduced from 19 to seven. New directors will include **Mitsuo Yokokawa**, general manager of accounting and finance division; **Masahiro Sakane**, executive managing director at Komatsu; and **John Matlock**, president of Komatsu Silicon America.

Ikeda, 56, joined Komatsu in 1965 and was appointed to Komatsu Electronic Metals to become executive managing director in 1996.

Nobuko Juji, Tokyo

Clowes joins Commerzbank

Commerzbank Global Equities, the international equities arm of Commerzbank, has appointed ***Simon Clowes***, director and head of Asian equity trading at ING Barings Hong Kong, to head its Asian equity derivatives division in Tokyo. Before joining ING Barings, Clowes spent six years at Bankers Trust in London and Frankfurt.

Clowes will initially focus on consolidating the Asian derivatives team and then expand the business across other Asian markets.

Chris Martin, head of Japanese equity structured products and senior vice-president at Lehman Brothers Tokyo, will also join Clowes' team.

Nobuko Juji, Tokyo

Malone leaves C&W for Pick

After 11 years with Cable and Wireless, **Thomas Malone** is leaving the communications giant for a loss-making internet technology group which had sales last year of less than $10m.

Malone, who was most recently president of C&W's commercial internet operation in the US, will become chief executive of Pick Communications.

Pick aims to bypass congestion on the web by using satellite technology to transit audio and video from content providers to internet service providers, rather than wires. The company has its own internet portal, which "is to television and radio what America Online is to print", Malone said.

Malone, 43, said he believed Pick's technology could "change the face of the internet, allowing it to reach its full potential".

The C&W internet business, once part of MCI, included an "internet backbone" business and web hosting and messaging services. Malone's previous roles with C&W USA included senior vice-president of business development. Before joining the group in 1988 he worked for Sprint International, GTE Telenet and CompuServe.

Pick, which is based in New Jersey, reported a $13.1m net loss last year, on sales of $9.8m. The group has been funded by Philips, Microsoft and private placements.

Diego Leiva, chairman, said Malone's experience was ideal "to drive Pick's successful entry into internet access".

Andrew Edgecliffe-Johnson, New York

Henry Ho: to join Atlantis Investment Management (Asia)

Schenz grasps OMV nettle

Richard Schenz, 59, chief executive of OMV, the Austrian oil and gas company, has taken control of the group's gas business following a boardroom row over gas strategy which was undermining investor confidence in OMV's management.

Marc Hall, 40, OMV's youngest executive director, who had been responsible for exploration and production (E & P), and gas, two of OMV's four divisions, will retain responsibility for the loss-making E & P division, OMV's smallest operation.

OMV's gas operations have traditionally been the most reliable part of the group and OMV wants to exploit its position as a central European transportation hub for Russian gas exports. However, liberalisation of the European Union gas market has forced a major rethink of the expansion strategy.

Hall is understood to have favoured OMV seeking a domestic Austrian partner to strengthen its gas business, while other OMV executives favoured an international solution to survival in a deregulated gas market. There have also been reports that the Abu Dhabi International Investment Company, which owns 20 per cent of OMV, was unhappy with Hall's strategy.

Hall's demotion is potentially embarrassing for Viktor Klima, Austria's chancellor, and a former OMV executive. OMV has traditionally had close ties with Klima's ruling Social Democrat party. Hall had been Klima's adviser when he was minister of transport and he replaced Wolfgang Ruttenstorfer when the latter joined Mr Klima's cabinet.

Schenz, with the assistance of Walter Hatak, OMV's deputy chairman, and Gerhard Roiss, head of chemicals, will deal with the position of OMV's gas business which will be "aggressively pursued".

William Hall, Zurich

Ho moves to Atlantis

● **Henry Ho**, previously a director of Barings Asset Management (Asia) has been appointed managing director of Atlantis Investment Management (Hong Kong).

People on the Move is edited by Lisa Wood.

TIM JACKSON
ON THE WEB

Sell internet shares by using your wits

An 'e-manager' which distributes initial public offering stock to brokerage clients is aiming to put traditional investment banks out of business

When you look at the sharp increases in the share prices of newly floated internet companies, it is easy to forget that the one-day gains made by their initial investors have a dark side: money "left on the table" by the company issuing the shares.

In a typical internet initial public offering (IPO) that raises $100m (£62m) in new money, an instant fivefold increase in the share price means the company has given up $400m in capital that it might have raised. A recent story in a US internet magazine argued that the consistent underpricing of internet IPOs shows at first sight that chief executives of web businesses ought to take a tougher line with their investment banks – but then concluded the reason chief executives tolerate this underpricing is because they have a separate PR agenda. A dizzying rise in a company's share price hits the newspapers and TV, and brings valuable free publicity and customers.

This is probably too Machiavellian an explanation. A better reason for the high first-day gains is that the differing perspectives of institutions and retail investors are making internet issues very hard to price. Individuals are simply willing to pay far more for shares in web businesses than institutions – yet the traditional investment banking process of pricing new shares by gauging the demand from initial institutional investors is no longer an accurate proxy for the market as a whole.

Andrew Klein, a former investment banker who started a microbrewery in New York, believes he has found a better way. Having raised money directly from web users for his Spring Street Brewing Company, Mr Klein then started a new company called Wit Capital which aims to put traditional investment banks out of business.

What this means specifically is offering shares in IPOs not just to institutions and a few favoured high-net-worth retail investors, but to any retail investor who wants them and to use the internet to cut the administrative costs that would normally make such a process uneconomic.

Wit Capital calls itself an 'e-manager'. Without becoming an underwriter in an offering (a status that carries the obligation to buy shares that investors spurn), the company acts as a co-manager alongside the other banks – distributing the stock to a client base of online brokerage clients. The result is to give companies a foretaste of the retail appetite for their shares, which in current market conditions helps raise the price.

But this is only the first step in a more ambitious plan. Wit Capital already offers online brokerage services; it plans to launch an Angel Fund (allowing investors to buy into private companies before their IPOs), and an after-hours trading service in which individuals could buy and sell shares directly with other individuals. The company has also just started a research department that will distribute research freely instead of merely to favoured clients.

So far, Wit has signed up 20 online brokerages as partners, known as 'e-dealers', who will offer participation in IPOs to their retail clients. Together, these brokers accounted for 29 per cent of all the online brokerage accounts in the last quarter of 1998. Wit has participated in 41 IPOs already, and is involved in nine that are forthcoming – including Xoom.com; mail.com; the Mining Company; Earthweb; MarketWatch.com; VerticalNet; iVillage; and Mpath Interactive.

The company has also hired some great people. In addition to Robert Lessin, a former Morgan Stanley banker who joined after serving as vice-chairman at Salomon Smith Barney, Wit has a co-CEO who was formerly vice-chairman of Charles Schwab, and a star head of research from Merrill Lynch.

A preliminary 'red herring' prospectus filed with the SEC for Wit Capital's own IPO offers a frank account of the risks it faces. Revenues in 1998 were $2m and cumulative losses are above $13m. The 'e-dealers' have not yet set up the technical interfaces that will allow the Wit network to operate, and in any case none is signed exclusively for more than three years. In addition, the company is having difficulty breaking into the charmed circle of investment banking.

"We have experienced a high level of customer dissatisfaction principally due to our inability to sell to our customers the number of shares they want to purchase," explains the prospectus. "If we can't get allocation in IPOs, we may need to rethink the strategy of being a lead manager and instead become lead underwriter [which has to buy shares if investors refuse to]".

The company also faces competitors. Noticeable absentees from its e-dealer list is E*Trade, a leading online broker that has set up an investment banking venture called E*Offering in partnership with Sanford Robertson, founder of Robertson Stephens. And there are other players, including Hambrecht & Quist. But Wit is a daring venture with strong backers and good managers.

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Reflections of a knowledge worker

From the economic lessons of Hitler to customer power and the productivity of nurses, 89-year-old management guru Peter Drucker still produces telling insights. As his latest book is published, he talks to **Tony Jackson**

Peter Drucker is a unique figure in 20th-century business. The first of his influential studies of management and the corporation date from the 1940s. Now nearly 90, he remains highly active as teacher, writer and consultant.

The main thrust of Mr Drucker's thinking is forward-looking: his latest book, just out, is called *Management Challenges for the 21st Century*. But he also has a strong sense of history and a taste for anecdote.

This, after all, is a man who, as a young journalist, frequently interviewed Hitler before his rise to power: who attended the economic seminars of both Keynes and Schumpeter in the early 1930s: and was associated with some of the century's prominent industrialists such as Alfred Sloan of General Motors.

In a recent day-long interview at his house outside Los Angeles, both those aspects were on display. We begin with a suitably fundamental question: in the age of the knowledge worker – a term Mr Drucker coined in 1959 – what exactly do we mean by capitalism?

Practically speaking, he argues, the original meaning has long since been lost. It now simply means anything not run by the state.

He recalls how governments across Europe, before and after the second world war, nationalised companies and banks in a vain attempt to control the economy. "Hitler was much brighter. He told me, again and again, that nationalisation was totally unnecessary. What he didn't say was that if you can shoot people, you don't have to own their businesses."

Governments today, he believes, have latched on to a less bloodthirsty version of Hitler's principle. "Mrs Thatcher's idea that government is retrenching has very little evidence for it. Government is getting more powerful, not through owning but through regulation.

"It's worst in this country, but pretty bad in Britain too. Governments everyplace realise that ownership is a mistake. The commanding heights of the economy now consist not of owning, but of Hitler's recipe of control by regulation."

Below that level, he argues, the chief characteristic of modern capitalism is an inherent tension centred on knowledge workers: between their twin capacities as *owners of companies* through their savings, and as employees.

"As shareholders, through pension funds and mutual funds, these people have a legitimate desire for earnings. At the same time, they are exceedingly unhappy with shareholder capitalism in their jobs."

Mr Drucker teaches a course on executive management to upper and middle managers. "*You have no idea how they* despise the financial people: how our top management alienated the professionals by the way they did the downsizing, with people getting $20m bonuses for firing 10,000 workers.

"The knowledge workers also feel very strongly that the financial *manipulators have no* respect for honest work. And they don't. They treat them as peons, as hired hands. But knowledge workers own the means of production. Slavery has been abolished: they can walk out the door."

It follows that companies have much to learn in attracting and holding knowledge workers: particularly given another recurring Drucker theme, that the developed world is facing a crisis of underpopulation, with too few young people to go round.

They also have much to learn in accounting for those workers. "There's an enormous amount of talk now about human capital," he says. "I'm a little allergic to that. To talk of human resources implies you can buy or sell them. You can't. It's their capital."

But if those people cannot be put on a balance sheet, they are still assets. "Unless you can show these values, management will pay no attention to them. It's an old rule that you only attend to what is reported. The investment you put into those people is incredible: and until it's reported, all the top management talk about managing knowledge and the knowledge worker will remain rhetoric."

He claims to have made some progress on this. "I've been playing with statements which show investment in people not as expenses, but as capital. How much have we put in, and how much do we get out in terms of productivity? What is the return on that capital?"

Thus, he has worked with teaching hospitals such as the Harvard Medical School. "I've shown that a very large part of the most expensive investment in post-medical school training has no return. In the US, we are still training our medical practitioners on bed patients. But 70-80 per cent of the hospital's revenues, and thus the demands on it, are out-patients. The residents never see them."

Or take nurses. "They are probably our best trained knowledge profession. Nobody is trained as well as a modern nurse – they're way ahead of modern doctors. And yet you find they spend 70 per cent of their time filling out forms.

"That we can fix overnight. I have tripled nurses' productivity in six weeks. All I do is hire a recent MBA – somebody who hasn't learnt anything yet, but we hope is ready to begin – and put him or her in as floor clerk. They fill in those goddamned forms – very few of which serve any purpose – and they answer the telephone."

At this point, we switch to another established Drucker theme: the purpose of the corporation.

He argued 45 years ago, in his book *The Practice of Management*, that companies existed not to make profits, but to create and satisfy customers. In an age of shareholder capitalism – or

'Most manufacturing multinationals will go bankrupt over foreign exchange losses in the next 10 years'

indeed knowledge worker capitalism – is that not slightly old-fashioned?

On the contrary, he says, it is more true than ever. Granted, you have to triangulate between the demands of the workers, the suppliers of capital and the customers. Increasingly, though, it is the customer who has the ultimate power of veto, and thus dictates the purpose.

The profit imperative is briskly dealt with. "Aristotle said there can only be one end, but there can be many means. Profit is a means, very much like oxygen to the human body. It is absolutely necessary, but you don't exist for its sake."

Customer power is another matter. "In 1764, the year the spinning frame was invented, it took something like three man weeks to process a pound of cotton into yarn. So unless the entire world population worked on it, you just couldn't produce enough *cotton, whatever the* price.

"Today, in the last analysis, it's the other way round. Supply is more elastic than demand. Around 70-80 per cent of commodities no longer conform to the marginal utility curve. Economists have still not adjusted to that."

Granted, there are exceptions. "Some, like [US macroeconomist] Paul Romer, now point out that the equilibrium between supply and demand is an assumption you make to start your analysis. The actual situation is not necessarily in equilibrium.

"In the first industrial revolution, from 1760 to 1825, demand was insatiable and infinitely elastic. Supply increased by leaps – for instance, with the introduction of the steam engine – but the rest of the time it was not elastic at all."

Today's elasticity of supply, by contrast, comes down to the fact that all the major wants can now be supplied in different and competing ways: not merely by products, *Mr Drucker argues, but by* non-products.

For instance, he has a bad knee from his days as a ski-jumper. "There are three ways of treating it: by a knee replacement, by the injections which I am now getting, or by exercises. The knee replacement is a heavy capital investment, the injections are very cheap, and the exercises cost nothing but time. For most knees these treatments compete, but not in the classical economic sense, and certainly not on price. Modern economics cannot handle that."

Some industries have yet to feel the full effects. "Any new industry starts out with demand being more elastic than supply. That's what you had in the computer-based industries, until now. It's over. The industry is about to change drastically, and the *old-timers will not know* what happened."

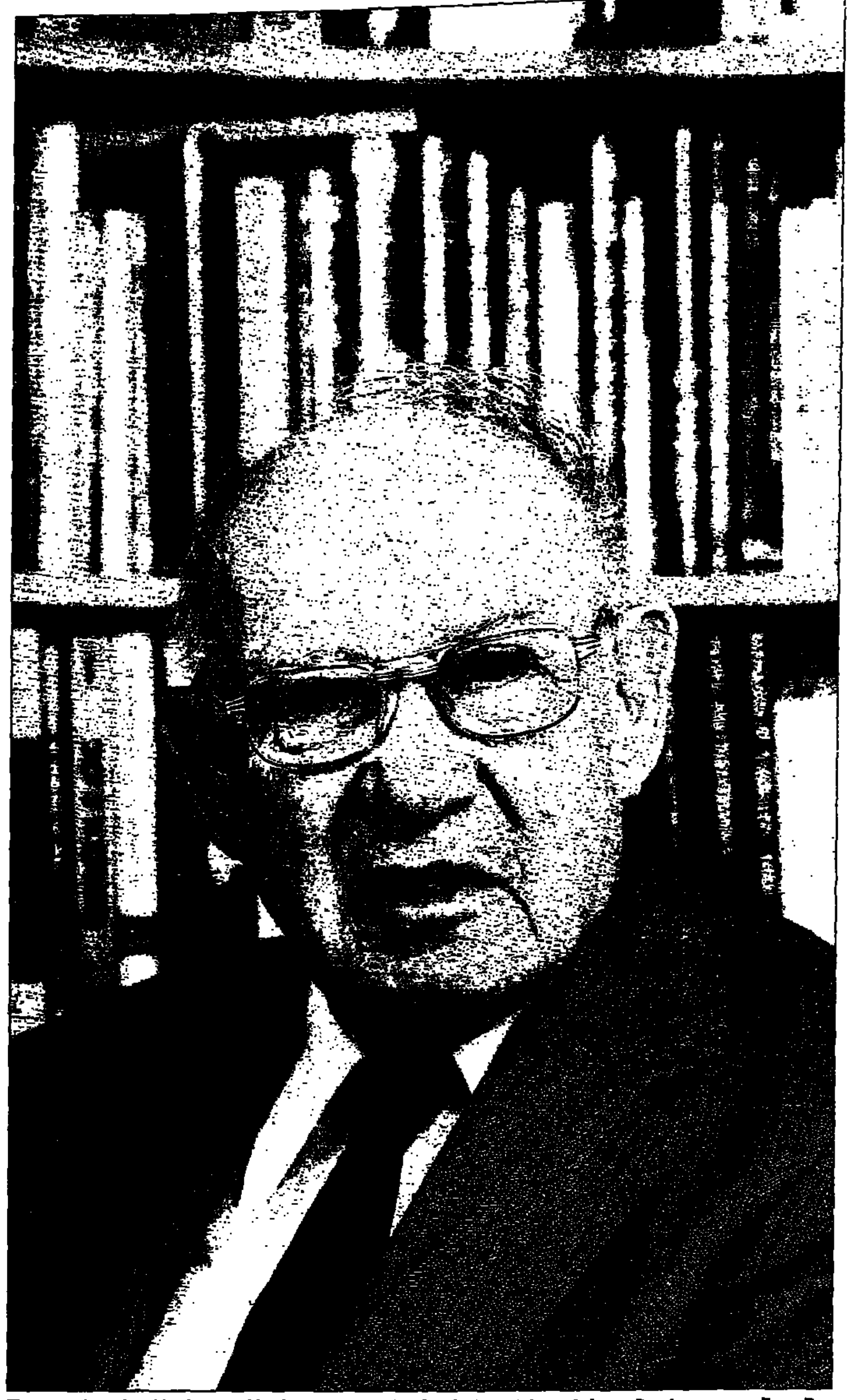
This is the kind of blasting statement that Mr Drucker specialises in. Take another couple of examples from elsewhere in the conversation.

"Most of the present manufacturing multinationals in the course of the next 10 years will go bankrupt over foreign exchange losses."

Or again: "Today's mergers are happening in shrinking industries. Take the automotive industry. The automobile has lost 50 per cent of its market in the past 30 years: that is, share of consumer disposable income. That's the only measurement that matters, and businessmen have never heard of it."

In his autobiographical memoir, *Adventures of a Bystander*, Mr Drucker recalls being admonished at the age of eight by a friend of his father's. "To watch and think for yourself is highly commendable," the man said. "But to shock people by shouting strange views from the rooftops is not."

As Mr Drucker adds, hard luck. It is the lot of the bystander to see things differently. And so far, at any rate, he has been right as often as not.



Finger on the pulse: 'You have no idea how managers despise the financial people,' says Drucker — Zuma Press

Peter Drucker on . . .

Mr Drucker's conversation is nothing if not wide-ranging. Some of the nuggets:

THE GREAT ECONOMISTS

Peter Drucker claims to have been the only person to attend the seminars of both Maynard Keynes and Joseph Schumpeter. His admission to the Keynes seminar came on winning the gold medal of the European Economic Association, with a paper showing "with absolutely rigorous mathematics" that the US stock market could only go up. It was published on October 15, 1929, one week before the Wall Street crash.

Both Schumpeter and Keynes were miserable teachers: though Schumpeter was very good in small seminars, such as the one I went to in Bonn.

Schumpeter was a rascal: women affairs, money affairs – one scandal after another. My father, who was a close friend, bailed him out again and again.

The Keynes seminar had about 30 people, and was a theatrical production. Mr Keynes entered stage left and lectured for 20 minutes, pointing to a formula on an enormous blackboard. Then he would exit stage right.

In would come [Richard] Kahn, his sidekick mathematician and a distinguished economist in his own right. He would wipe the blackboard without saying a word and write equations for 25 minutes. Then exit left. Keynes would come in and lecture on these equations in turn. We had a theory it was the same person: one talked, the other scribbled.

RETIREMENT

Mr Drucker is convinced that demographic changes in the developed world, whereby the low birth rate means young people will be heavily outnumbered by the old, will lead to people working longer.

Retirement has now taken on a different meaning. It means leaving your job, but not necessarily stopping work. You have enough income from your pension not to go hungry, so you have more freedom. You get control over how you work.

After 20 or 30 years, a nine-to-five job is very monotonous unless you're at the top, or unless you are in a job where each day brings something new. Even if you move from the Bank of America to the First National Bank of Chicago, the main difference you'll notice is the parking lot.

But you don't stop working, partly because playing bridge or golf doesn't keep you satisfied for ever. If you worked 40 years at a steel mill, you're tired enough to be happy with a fishing pole. But if you've been sitting down for 30 years, you may be 60 but you're in the shape of a 30-year-old a century ago.

I know a vice-president of metallurgy at a big engineering company who took early retirement at 48. Now he is a consultant to half a dozen companies. I asked him why he did it. He told me his old company had a major metallurgical problem maybe five times a year. The rest of the time he wrote papers. Now, whenever any of his companies has a problem, he swings into action.

And a lot of people go into non-profit work as volunteers: the Girl Scouts or caring for the homeless. My middle daughter is a lawyer in her mid-50s. She is now semi-retired, so that she can spend two days a week teaching reading to young Chinese girls.

ACCOUNTING

When I started work in 1927 with a very old and prosperous cotton exporter in Hamburg, most businesses did not have double-entry book-keeping. It was introduced at the firm by the chief book-keeper.

The boss never accepted it. He said: 'If I want to know where we stand, I stay behind on Saturday and count the petty cash. That's real. The rest is allocations.' He had a point.

When I went to London to work for a small investment bank, I was taught by my boss, who was an old, shrewd banker, always to begin with cashflow. He argued it was the only thing that even the smartest accountant couldn't fudge.

Proper accounting on those lines only came in after the second world war, with the flow of funds statement. The next step could be a comparable statement of the investment flow and productivity of knowledge.

I've toyed with that, but I didn't work it up. I'm not saying I could. There are problems in putting a numerical value on it. I think it would be the first statement to use ranges, not precise figures.

I believe that if accounting hadn't been invented 700 years ago – if we had waited until the 18th century – most of our accounts would show ranges. We now know how to handle plus-or-minus probabilities. The accountant's figure for receivables is basically a mid-point between guesses.

MARKS AND SPENCER

Mr Drucker knew the Marks and Spencer dynasty in London in the early 1930s. The contact was his wife, who did market research for the company.

I've very rarely seen a pair that complemented each other the way Simon Marks and Israel Sieff did. Israel's son, the second Lord Sieff, once said to me "when my uncle Simon goes into a store, he sees everything. My father sees everything when he looks at a sheet of figures".

Simon Marks was responsible for the great technological invention that made Marks and Spencer. If you buy a shirt, it has a price tag. He invented a double tag, with a perforation down the middle and the same information on both halves.

When a woman brought a blouse to the checkout counter, the checkout girl tore off half the tag and dropped it into a 1930s version of the computer – a cigar box. When the box was full, a trainee took it and phoned the numbers to the Baker Street headquarters, where another trainee took them down and phoned them to the factory.

That told the factory which branch was running low on pink long-sleeved medium-sized blouses. Two days later, they were at the branch. That was Simon Marks's invention: no inventory, and no capital expenditure.

CURRENCY SPECULATION

The enormous amount of virtual money generated by people *trading for their own account is a* mug's game. This worldwide flood of money – as opposed to capital – serves no legitimate economic purpose. It cannot earn a return [in the long run], but is desperate for a return. It is thus totally predictable that you will have collapses.

When I worked for a small investment banking house in London, in the early 1930s, my first job was as foreign exchange trader – a job I'd never done before. After six months the old man, who had 250 years of banking in his bones, called me in and said: 'Mr Drucker, as of next Monday you are no longer our foreign exchange dealer. You are our economist.'

I said: 'But I'm just beginning to be reasonably good at foreign exchange trading.' He said: 'That, my boy, is why we're pulling you out. In no time at all you will think you're clever; and it is the firm's money you will lose.'

JOB MOBILITY

One thing that is very hard to explain to younger people is that when I was born there was no such thing as success. You stayed in the class into which you were born. Now people in developed societies have mobility: in part because they are educated for longer.

When my father was Austrian acting minister of finance in 1920, he had a driver who had extraordinarily brilliant twin boys. My father arranged for them to go to Latin school.

I will never forget the driver and his wife coming in their Sunday best to thank my father. They tried to kiss his hand. Suddenly the driver broke out in tears and said 'I know how much we owe you, but I can never forgive you. I have lost my children.'

Blue collar workers never looked for a job. In the old industrial cities of this country, suppose you were a boy in Cleveland who got a girl in trouble and dropped out of school to marry her. The priest would say to a member of the congregation who was a supervisor at the steel plant, "Michael is a good boy". That's how you got a job.

The only mobility blue collar workers had was in times of war. Let me give you a German example. You know there has been depression in the Ruhr now for 20 years, and until very recently a labour shortage down around Stuttgart. You know how many blue collar workers have moved? None.

Their grandfathers came from East Prussia and worked for Krupp. If you had a male child, your wife got a present and the child got an employment certificate, valid from his 16th birthday. That was still true when I was a young man.

Now, the son of friends of mine is head of psychology at a redbrick university in the Ruhr. His students are sons of blue collar workers. He told me that not one of them works in the Ruhr. They're all in Bavaria or Stuttgart, where the good jobs are.

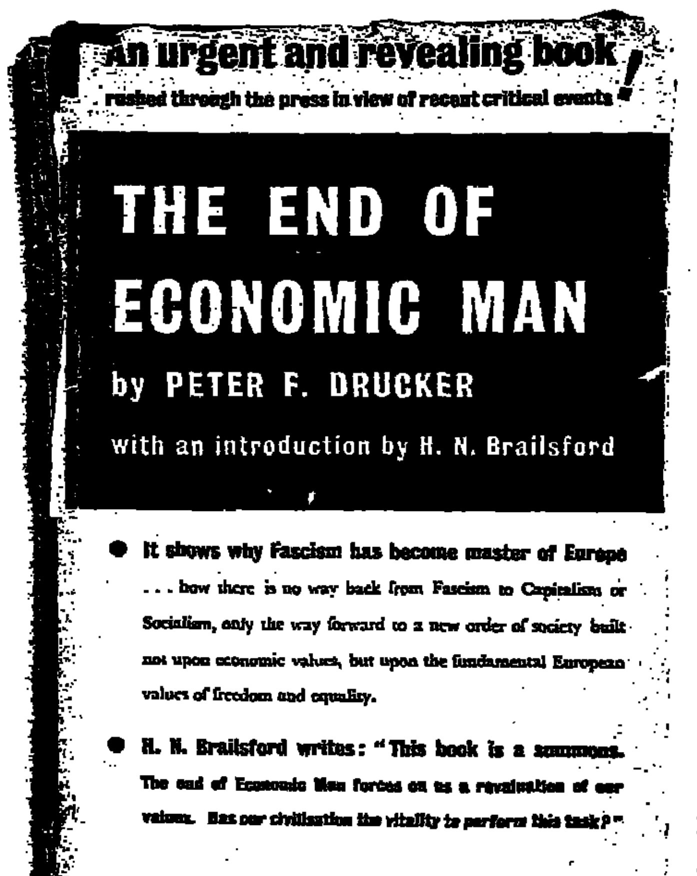
MANAGEMENT

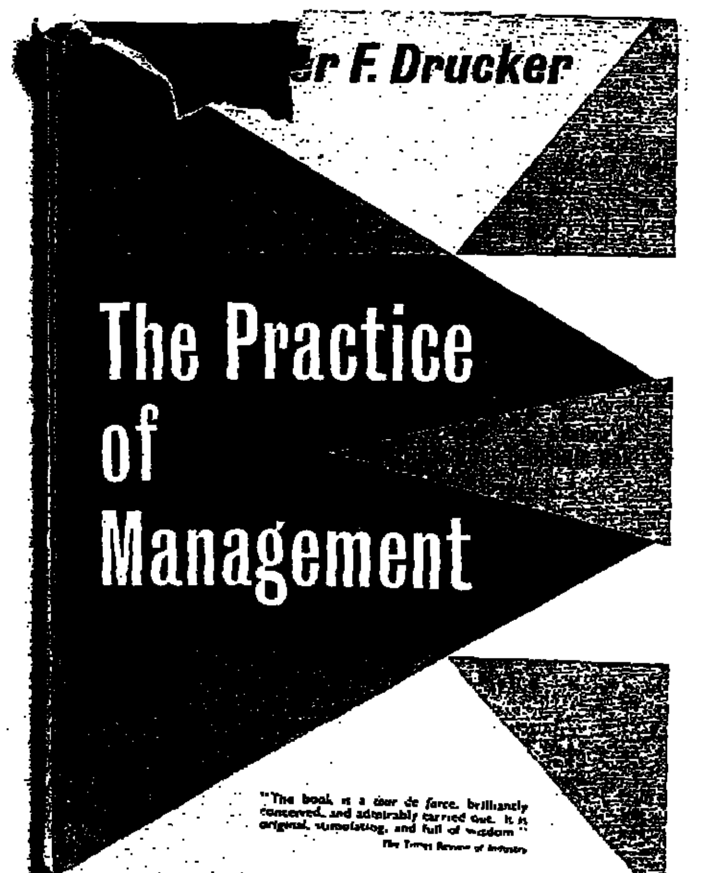
Most specialists today don't want to get into management. They find it boring, and for good reason. It is boring.

The best definition of management I know came from a scientist at General Electric who turned down promotion as one of the senior people in a GE lab. He wrote "my children are past the age where I had to change their diapers. I don't want to do it again." As a manager, you clean up messes. Who the hell wants to do that?

So educated younger people demand different opportunities. Judging by the American companies I know, no management understands that.

Management Challenges for the 21st century by Peter F. Drucker is published by Harper Business on May 4 price $27.50. To order a copy from the FT Bookshop ring +44 181 324 5511 or fax +44 181 324 5678





هكذا من الأصل

Edinburgh shows off its drawings

William Packer is impressed by exhibitions at the city's two main art galleries

Edinburgh always has its moments, so far as the visual arts are concerned, with temporary exhibitions the year round, and always the permanent collections of the National Gallery of Scotland and the Scottish National Gallery of Modern Art to keep one astonished in the meantime. So it is now, with a magnificent group of drawings from the collection at the NGS;

The joy is that, in such company, the greater works spring off the wall, and even a scrap may prove a masterpiece

and at the SNGMA, the only showing outside Israel of the Avigdor Arikha retrospective. Also, SNGMA'S long-awaited annexe, The Dean, is now open and showing its fine group of Dada and Surrealist work.

In a mere 80 sheets, *The Draughtsman's Art* at the NGS covers the period from the early 16th to the late 19th century, and touches all the major European schools but the Spanish. The title perhaps bespeaks a certain definitive intention, but in the event it is more a demonstration than didactic, showing the scope of practice at large in its historic variety of material and approach rather than drawing threads together or making an argument.

It shows up, in short, the character of a public collection put together *ad hoc*, as the chances of the market, gift or bequest allow, with an eye as much to covering the field as to quality. The marvel is that so many beautiful things come in just this way: the caveat, that what is marvellous to the scholar is not always so to the rest of us. Each is to be taken as it comes, a single spy, to be celebrated or shot as may be.

For age and the chances of survival may lend to a work of art, and to drawings especially, a patina of real charm, though the work itself may be but a scrap, a dull academic exercise, or an inconsequential jotting. Attributive agonisings may put a name to it, but we know at heart it may as well be by anyone. A clear identification with a given work is always intriguing, but then again, interest and aesthetic quality are not necessarily the same thing, and even the best of artists may have a bad day.

The joy is that, in such company, the greater works spring off the wall, and even a scrap may prove a masterpiece – Boucher's first hints at a "Rape of Europa" in the lightest flurry of red chalk; Pietro Testa scratching anxiously away at his "Narcissus"; Taddeo Zuccaro's descriptive control evinced in a few sweeps of line and wash. The fuller studies take the breath away – two sheets of a dog's paw by Leonardo; a girl's head by Francesco Albani; a Jordaens female nude; the young Turner's view of Snowdon at sunset; Cotman beside a Yorkshire river; Melville watching a Moorish procession in Tangiers; the Seurat bather.

Studies to take the breath away: a female nude by Jacob Jordaens (1598-1678)

But two sheets take us closest of all to the very essence of drawing, in looking at the world, and seeking to understand and put down what is seen. Both are wonderfully unselfconscious, done not for show but for immediate purpose. One, once attributed to the somewhat later Spanish artist, Ribera, is now given to Polidoro da Caravaggio, in the early 16th century. It shows the raised arms and shoulders of a man blowing what appears to be a conch, with, on the same sheet but sideways, three female heads. All are clearly from life, un-idealised, albeit studies for religious subjects. The other is by Adolph Menzel, one of the supreme draughtsmen of the 19th century. Again it is a composite sheet, with seven overlaid studies of heads of two men, each in profile, seen slightly from above, and wearing a cocked hat. It is a virtuoso performance – an artist practising, studying, thinking in private, changing his mind, unmindful of any audience, and producing a masterpiece – much more so than the history painting which it served.

The Avigdor Arikha retrospective at the SNGMA is not to be missed while it lasts. Arikha is now 70, an Israeli of Romanian origin, based in Paris, and one of the most interesting and accomplished figurative painters and draughtsmen of his generation. He too addresses the immediate and visible world – the interior, the still-life and, above all the figure, often the self-portrait, nude or clothed. He works quickly, often to a finish in a single session. And, since he works in daylight, he insists, as far as possible, that his work should be seen in daylight – for which there is no better place than the old classrooms at SNGMA's Belford Road.

The Dean, directly opposite, requires a book to itself for the saga of its rescue, funding and conversion. It is a magnificent neo-classical pile of 1833, by Thomas Hamilton, originally an orphanage but latterly neglected. Lothian Region made it over to the SNGMA in 1994 as a much-needed annexe and, judiciously converted to the purpose by Terry Farrell, it now houses three major permanent holdings – the Keiller Bequest, the Penrose Collection, and the Paolozzi Gift – which together make it the most important centre in the country for the study of Dada, Surrealism and their ramifications.

The upper galleries will be used for temporary exhibitions, which again takes pressure off the gallery proper across the road. It is a most significant and far-reaching development for the UK's most important modern collection after the Tate.

The Draughtsman's Art – master drawings from the collection: The National Gallery of Scotland, Edinburgh, until June 13; sponsored by Scott-Moncrieff, with support from the Bacher Trust. Avigdor Arikha: Scottish National Gallery of Modern Art, Edinburgh, until May 9. The Dean Gallery Opens – Dada and Surrealist Collections, and the Paolozzi Gift. Travel courtesy of the Great North Eastern Railway.

OPERA IN LONDON

'Bunyan' hits the spot

Between now and early June there is a flicker of life from the Royal Opera. A revival of last season's production of *Paul Bunyan* and a few sad remnants of the summer's Verdi festival are all that remain from the original programme.

The big difference is the general outlook. When the company was struggling to drum up interest for Britten's youthful operetta the last time round, it looked like the dying gasp of an institution doomed to extinction. Now, with the new management in place and the opera-house re-building near completion, this seems a bit of vacation fun before everybody gets down to serious work.

By and large a good time is had by all. Performing *Paul Bunyan* in a modest theatre like Sadler's Wells was a sensible move and the pretentious side of the work is never allowed to get out of hand. Whenever the libretto starts to go starry-eyed, Francesca Zambello's production remains sensibly down-to-earth.

The uniqueness of this wartime opera is a large part of its appeal. *Paul Bunyan* stands almost alone as an example of an important composer and poet tackling the subject head-on during the war years and in the most public artistic medium of all – a work for the stage.

Maybe that helps to explain the confusing response. It is pretty well impossible to categorise the piece: experimental opera, Broadway musical, intellectual satire, populist comedy, political tract, it is all of them and none at the same time. The world was in flux and the world's artists do not seem to have known where they stood.

The one thing that is clear is that Britten and his equal partner, W.H. Auden, wanted to put on a slick American show. Saturday's Royal Opera revival was not exactly that (this was one of those "butterfingers" evenings when the props did not work and the scenery stuck) but it was fresh and amiable and entertaining.

A fully-professional production has certainly raised the work's stature. Most people used to associate *Paul Bunyan* with student performances, like its premiere at Columbia University, New York in 1941, until a concert of excerpts at the 1976 Aldeburgh Festival showed what four great singers could make of its wafer-thin little solos and ensembles.

There were some notable solo efforts here. Kurt Streit was inspiring as Johnny Inkslinger, who represents society's creative conscience. Peter Coleman-Wright scored by putting across every word of the Narrator's ballads. Susan Gritton and Timothy Robinson made a lovable couple as Tiny and Hot Biscuit Slim; and it was good to encounter again old friends, such as Francis Egerton as Sam Sharkey the cook and Lillian Watson, doubling as Third Goose and Fido the Dog.

All their contributions, together with the Orchestra of the Royal Opera House under Richard Hickox, will be captured for posterity by a live commercial recording. At least something permanent will have come out of the Royal Opera's troubled years.

Richard Fairman

NEW YORK THEATRE

A lack of heart proves fatal

Just in time for Tony Award nomination, three new musicals have washed up on Broadway; one showcases classic Americana (*It Ain't Nothin' but the Blues*), another celebrates the Gershwins (*Fascinating Rhythm*) and the third, *The Civil War*, ransacks the poetry of Walt Whitman, the speeches of Abraham Lincoln and the correspondence of real-life 19th century lovers. Was it only two years ago that Broadway seemed capable of telling modern stories in a modern idiom? Those days seem as antiquated as the Spice Girls.

Characters in *The Civil War* may sport Victorian high hats and frilly bonnets, but the show's songs, as its creators keep telling the press, are meant to sound new. As if to justify a score which, barely five minutes in, blares forth an excruciating FM power ballad, Gregory Boyd, one of *The Civil War's* creators has said: "For a long time in our history, 'theatre music' was the pop music of the day. Porter, Gershwin, Berlin, Rodgers & Hart & Hammerstein, Bernstein and Lerner & Loewe – all these 'theatre composers' had their songs ... played on the radio."

It is all very well to cite such sterling musical models, but before you start stretching the comparisons you might bother to come up with some songs in which lyrics linger and melodies matter. This Boyd and his colleagues have spectacularly neglected to do.

Their failure is regrettable, given that the show's composer, Frank Wildhorn, also has two much more engaging projects currently on Broadway: *The Scarlet Pimpernel*, an often witty swashbuckler whose staging was revamped recently with great success; and *Jekyll and Hyde*, which, however much it might make the critics retch, at least makes its legions of fans deliriously happy.

The Civil War, by contrast, has going for it neither finesse nor fright. Despite a score that resorts to every pathos-tugging genre imaginable – guitar-based folk, rhythm and blues, call-and-response gospel – the show fatally lacks heart.

Its creative troika and its director, Jerry Zaks, try energetically to pump up the proceedings, but they seem to think that expressing emotion is the same as evoking it. The inability to discern this difference is partially related to the musical's conception.

Neither finesse nor fright: scene from Frank Wildhorn's new musical, 'The Civil War' Joan Marcus

Unlike more book-based Broadway shows, *The Civil War* is not structured as an orderly narrative. Against the endlessly shifting rear projections of Wendall K. Harrington, we instead listen to mostly ordinary Americans – greenhorn soldiers, shameless profiteers, mistreated slaves, wives left behind – sing of the ravages of war and the thirst for liberty. There is a quasi-narrator, Frederick Douglass, but apart from a progression of battles flashed on the backdrop, no clear plot.

Since *The Civil War* cannot engage its audience's emotions through the twists and turns of a story, or cause us to care about its characters as they meet developing challenges, it must rely for effect on our connection to historical events and on our response to its performers. But history without narrative is merely fact-filled impressionism – an oratorio with sound and light cues.

To be fair, several of the performers do make an exhaustive effort trying to animate the stage. Michel Bell, whose voice is as deep as Dixie, sings the bejesus out of "If Prayin' Were Horses." Matt Bogart, as a fallen confederate private, brings honor to the grief-inflected "Tell My Father". And Lawrence Clayton rousingly leads a mini-chorus in the freedom-seeking number "River Jordan".

But no battery of statistics or barrage of big-voiced singers can do much to convey a conflict filled with what Stephen Crane, in *The Red Badge of Courage*, called, with tragic irony, "Homeric notions of war." Setting out to create what they call "an emotional landscape," the creators of *The Civil War* have come up with a lavish overproduced concert in which characters may lose their loved ones but theatregoers lose something almost as precious: time and money.

Brendan Lemon

'The Civil War', St James Theatre, Broadway.

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
La La La Human Steps: the Canadian dance company brings Salt; Apr 27, 29

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
David Salle: major survey of the New York-based contemporary artist, comprising around 40 canvasses and featuring the multimedia diptychs and triptychs that made his name in the 1980s; to Jun 13, then travelling to Vienna and Turin

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber; Apr 28;

BALTIMORE

OPERA
Baltimore Opera Company, Lyric Opera House
Tel: 1-410-625 1600
www.baltimoreopera.com
Andrea Chenier: by Giordano. Conducted by Marco Armiliato in a staging by Bernard Uzan; Apr 28, 30; May 2

BEIJING

DANCE
Exhibition Centre Theatre
● The Royal Ballet: the British company presents a Gala Programme, with the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 28, 29
● The Royal Ballet: Romeo and Juliet, in Kenneth MacMillan's staging with designs by Nicholas Georgiadis. With the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 30; May 1, 2

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
A Midsummer Night's Dream: new staging by Heinz Spoerli, conducted by Arturo Tamayo. With sets by Hans Schavernoch and costumes by Keso Dekker; May 1

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
NHK Symphony Orchestra: conducted by Charles Dutoit in works by Gubaidulina, Sibelius and Prokofiev, with violin soloist Sarah Chang; Apr 27

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and muralist pioneer. Includes public and private loans from Europe, Japan and Mexico; to May 2

EDINBURGH

EXHIBITION
Royal Scottish Academy
Tel: 44-131-624 6200
173rd Annual Exhibition: painting, sculpture and architecture. Including works by three Academicians who died in 1998 – Alberto Morrocco, David McClure and James McIntosh Patrick; to Jul 11

FLORENCE

OPERA
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 27, 29

HOUSTON

OPERA
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787
www.hgo.com
Resurrection: world premiere of Tod Machover's new opera set in Tsarist Russia, with a libretto by Laura Harrington. Patrick Summers conducts a staging by Braham Murray, with designs by Simon Higlett; Apr 28; May 1

LAUSANNE

OPERA
Opéra de Lausanne, Théâtre Municipal
Tel: 41-21-310 1600
The Rake's Progress: by Stravinsky. New production. André Engel directs a staging by Dominique Meyer, conducted by Jonathan Darlington; May 2

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Ariadne auf Naxos: by R. Strauss. Concert performance conducted by Richard Hickox, with a cast including soprano Christine Brewer. The programme is completed by the composer's music for Le Bourgeois Gentilhomme; Apr 27

Royal Festival Hall
Tel: 44-171-960 4242
BBC Symphony Orchestra: conducted by Martyn Brabbins in works by Adès, Maxwell Davies, and Birtwistle; Apr 29

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 27, 29
● Semele: by Handel. Rosemary Joshua sings the title role in Robert Carsen's production, conducted by Harry Bicket; Apr 28, 30

Sadler's Wells
Tel: 44-171-863 8000
The Royal Opera: Paul Bunyan, by Benjamin Britten. Staging by Francesca Zambello, conducted by Richard Hickox (replaced by Chris Willis on Apr 27); Apr 27, 28, 29, 30; May 1

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Kurt Schwitters and the Spirit of Utopia: paintings, drawings, collages and photographs by the German avant-garde artist, from the period 1918-1947. Includes loans from the Sprengel Museum in Hanover and private collections, including that made by artist's son; to Jun 27

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Sibelius and Allan Pettersson; Apr 30
● Prague Symphony: conducted by Leos Svarovsky in works by Rimsky-Korsakov, Chopin and Ravel, with piano soloist Rudolf Buchbinder; Apr 28

NAPLES

OPERA
Teatro di San Carlo
Tel: 39-081-797 2331
Il Barbiere di Siviglia: by Rossini. Gabriele Ferro conducts a staging by Filippo Crivelli, with a cast led by Leo Nucci; Apr 28, 30; May 2

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg; Apr 29; May 2

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
www.opera-de-paris.fr
Platée: by Jean-Philippe Rameau. Conducted by Marc Minkowski in a staging by Laurent Pelly; Apr 28, 29, 30; May 2

VIENNA

CONCERT
Konzerthaus
Tel: 43-1-5870 5040
Vienna Radio Symphony Orchestra: conducted by Ulf Schirmer in a concert performance of J. Strauss's Der Lustige Krieg; Apr 29

EXHIBITION
KunstHausWien
Tel: 43-1-712 0495
Jean-Michel Basquiat: Paintings and Works on Paper. 100 works on loan from the Mugrabi Collection; to May 2

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Cavalleria Rusticana: by Mascagni/Pagliacci by Leoncavallo. Simone Young conducts a staging by Jean-Pierre Ponnelle; Apr 28

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

Too good to last

It is easy to look successful when money is pouring in. Coping with the after-effects when the bonanza stops is more difficult

Question: What do Japan's golf clubs, Korea's *chaebol* and California's internet start-ups have in common?

Answer: All have been the recipients of free capital, an apparently unlimited flood of money *with no obvious price tag.*

Getting free capital feels wonderful. In fact, I wouldn't mind some myself. But there is a price to pay while you're getting it – and an *even bigger* price when it dries up. Thinking about some of these consequences can help limit the damage.

Let's start by looking at the three *examples* mentioned earlier: Japan, Korea and the internet.

Japan's free capital was not confined to golf clubs. It flooded into every part of the *Japanese economy in the* 1980s. Giant industrial companies were able to raise what was effectively free capital by issuing bonds with warrants attached. Because *everyone* expected Japanese shares to go on rising, the warrants were highly valued, driving down the cost of the debt. A tightly regulated financial system *underpinned the* process, by funnelling the oversupply of Japanese savings into low-yielding domestic accounts.

The consequence was a huge over-investment boom, as Japanese companies poured money into new factories at home and abroad. The economy is still living with the aftermath: falling prices and stagnation.

Korea's flood of free capital was never, strictly speaking, free. Instead, the *chaebol*, the giant family-controlled industrial groups, got access to unlimited government sponsored debt at low interest rates.

Initially, in the 1970s, the supply of capital was rationed to those projects the government thought of national importance. Later, as Korea became a less *tightly controlled economy*, the *chaebol* chose their own projects, but still benefited from privileged access to low-cost funds. So they raced to compete in prestigious industries, such as car manufacturing and computer chips, creating *too many* weak rivals.

Now, as the government tries to move towards a more conventional system of corporate finance, the *chaebol* are heavily over-borrowed, while banks are too exposed to them.

Free internet capital is the result of the surge of initial public offerings, which allow *start-up companies to raise equity at sky-high* valuations. Since internet companies do not need much capital to create their "hard" assets, the funds get diverted *into the creation of soft* assets, such as brands.

Much of the money goes into expensive marketing. Some of the free capital is used for takeovers. The drawback of free capital is obvious: it frees recipients *from the normal market disciplines* and leads to over-investment, particularly in prestige projects.

But there is a more subtle problem. Free capital covers a multitude of business errors. As long as it continues to flow in, *fundamentally uneconomic* activities look healthy. It is only when the free capital stops that the underlying weakness of such activities is revealed.

The recipients of free capital look like geniuses: they can afford lavish advertising campaigns, many staff and rapidly expanding offices. Such rewards, in the normal world, only go to those people who are able to produce genuine economic value. In a free capital zone, however, they go to *everyone*, blurring the distinction between valuable economic activity and make-work. Raising money – joining the privileged minority who have access to free capital – becomes the test of success. Deploying the capital effectively is less important.

The dangers of free capital *are at their greatest when they* are caused by structural distortions of the economy, as when governments divert flows of money to favoured projects. If this goes on for too long, the entire economy can be damaged, as in Japan, Korea and the former Soviet bloc.

Free capital that is caused by the over-optimism of individual investors, as in *the internet case*, is less harmful. It amounts to a collective bet on the future. Over-valuing the future as compared with the present is less damaging when it is the outcome of thousands of individual freely made *decisions than when it is imposed* by a government backed – ultimately – by coercive powers.

In the internet case, there is another reason not be too pessimistic. It will lead to over-investment in competing internet projects and brands, but – unlike under-used steel plants or chip factories – these virtual assets will not linger on for years, depressing *margins* and deterring new entrants. When an internet project fails, as some have already done, it just disappears. Who now remembers Global Network *Navigator*, an ambitious pioneer that has come and gone? Its ghostly presence lingers on in the web's search engines, but it does not depress other activity in the sector.

So the *damaging* after-effects of other examples of free capital may not offer an economy-wide cautionary tale for the internet boom. But at a micro level, they provide lessons for those who participate. Don't think that access to free capital makes you a business genius. Realise that getting the money is only the start of the real business *challenge*. And try to assess *how* attractive a project would look if it wasn't so easy to raise equity capital.

In the meantime, though, if there's any free capital going, you know where to send it.

peter.martin@ft.com

LETTERS TO THE EDITOR

Is Nato waiting for the Kosovars to starve to death before it mobilises?

From Prof Michael Doyle and Prof Stephen Holmes.

Sir, What will be done to save the lives of approximately 800,000 (the latest estimate according to the UN High Commission for Refugees) Kosovar Albanians currently *homeless in the hills of Kosovo?*

Slobodan Milosevic's forces have driven them from their homes and are destroying available food supplies. By selectively closing the borders, Mr Milosevic is now holding them hostage and making them *vulnerable to disease* and starvation in weeks, *if* not days.

Over the coming months, bombing may degrade Serb military capabilities and it may restrict fuel supplies, but it does little to curb the ethnic cleansing now under way and it does nothing at all to assist the Albanians now in the hills. A ground intervention by *Nato is at* present *off* the *table*, for *political reasons*. Will Nato wait until tens of thousands have starved to death before it mobilises the will to act? If Nato finally does intervene, how many Kosovars will be alive after the months it will take to assemble a sufficient ground force?

There are no truly good *options*. *Dropping enough food* supplies to sustain them in place, Nato says, is too risky under current conditions. Saving the Kosovars now therefore means assisting them to *escape*. Unless Mr *Milosevic* is prepared to enact an immediate ceasefire and the withdrawal of his forces *from* Kosovo, Nato *should* drop weapons to the *Kosovars*, mark corridors of exit, and use available air-power and armed helicopters to assist their effort to fight a way out. Only if we help them survive can we then worry about how to get them back home.

Michael Doyle,
director,
Centre of International Studies,
Stephen Holmes,
department of politics,
Princeton University,
Princeton,
NJ 08544, US

Avoid cut-price plans for Kosovo refugees

From Mr Richard Wort.

Sir, Some 750m people live *within* Nato *countries, more* than a hundred times the number of Serbs in Serbia. Powerful and swift military action often reduces casualties. Why has Nato *adopted cut-price plans?* Why are there so few sorties? Plans could have included 10 times the number of sorties per day.

The horrific activities of war criminals within Kosovo were not anticipated, but Nato could have given Albania, Macedonia and Montenegro adequate financial help within a week.

The activities of the Socialist Party of Serbia could have been restricted more severely. An air campaign can act as an anaesthetic. Conscious perceptions can be greatly reduced. Television and radio transmitters could have been destroyed in the first week. *More telephone exchanges* could have been destroyed. The roads just outside Belgrade could have been made unusable.

Why did Nato put all its eggs into one basket? Vojvo*dina* could be *occupied* within a week with the use of paratroops.

The Federal Republic of Yugoslavia is not recognised internationally. The long-term future of Kosovo, Vojvodina, Tsaribrod, Bosilegrad, Stromitsa, *part of the* Timok Valley and Sandzak could be determined by committees of the UN.

The Federal Republic of Yugoslavia could be abolished. A military *expenditure of 12.9 per cent* of gross domestic product (1996) is unsuitable for Montenegro and Serbia. Nato should occupy Kosovo as soon as possible, and avoid cut-price plans *for* the rehabilitation *of refugees*. They want to be home before the millennium.

Richard Wort,
Knole Cottage,
69 Murray Road,
Wimbledon SW19 4PF, UK

Blair's war effort leaves Americans cold

From Mr Neal Ball.

Sir, As Americans we are greatly indebted to Tony Blair for his leadership of our war effort. At a time when our own leaders express caution – perhaps overly concerned about human lives and the political *consequences of calling* up reserves and authorising additional billions of defence dollars from taxes – *Mr Blair* came to urge us to screw our courage to the sticking point and not go wobbly by ending hostilities. As the battle becomes bloodier, we feel assured that *Mr Blair* will *stoop to negotiation only* in the most urgent instance, and *that when he does offer* a kingdom for a horse our nation will be a prominent part of that settlement.

Neal Ball,
1335 North Astor Street,
Chicago,
Illinois 60610, US

Fighters are off course in the Balkans

From Mr Ian Bishop.

Sir, The article "Homes hit as bombs miss targets" (April 7) included *a graphic* in which the plane shown was labelled as an F-16 Eagle fighter. The *plane* is indeed an F-16, *but the* F-16 is not known *as an* Eagle, that is *the* F-15. The plane should have been labelled an F-16 Fighting Falcon.

The F-16 Falcon is an interceptor, whereas the F-15 Eagle is, primarily, a high-level air-superiority fighter.

Both aircraft are *unsuited* for the tasks *to which* they have *been* assigned in the *Balkans crisis*. Part of what is known as Combined Arms Tactics, whereby they carry out specialist roles in support of all the other sections of Nato's forces, their use as "bomb trucks" is inefficient and ineffective. They cannot carry much ordnance since their intended role was to fight off the advanced Soviet fighter threat while other aircraft, like the A-10 Thunderbolt and A-6 Intruder, *carry* realistic payloads to targets under the protection of these aircraft. Such roles are obvious: "F" stands for "Fighter", and "A" for "Attack aircraft".

Nato has adopted this half-hearted tactic because to commit other aircraft more suited to the task, such as the Thunderbolt, would mean exposing these more vulnerable aircraft to attack. *Even if these Attack aircraft were* covered properly by F-15s and F-16s, they would remain in danger, for they are supposed to be covered by ground forces on their way to the target. The *nature* of Nato's military *force* is such that it must be committed as a whole to be effective, not in fragmented chunks.

Ian Bishop,
35 Kingswood Avenue,
Bromley,
Kent BR2 0NT, UK

Citizens must watch over bank lending

From Ms Teresa Wyszomierski.

Sir, Martin Wolf is right to suggest that creditor institutions should be compelled to "bail in" the emerging markets that they helped decimate through imprudent lending practices ("The cost of debt", April 21). However, his apparent sympathy for taxpayers who wind up footing the bill for government-*sponsored bail-outs* is somewhat misplaced.

All citizens are stakeholders in our increasingly integrated world financial system. Thus, in their capacity as bank customers, insur*ance company policyholders* and pension fund participants, private citizens should be more vigilant about what their lending institutions are up to.

While the moral hazard of *publicly funded* bail-outs is real, so is the danger of an apathetic and deliberately uninformed citizenry. We can no longer afford to be latter-day Captain Renaults, *disingenuously* shocked to find that gambling was going on in Casablanca when markets head south, but content to collect the winnings when times are good.

Teresa Wyszomierski,
61-37 56th Avenue,
Maspeth, NY 11378, US

So much for free movement

From Mr David Frost.

Sir, I am resident in Spain and want to send money to a university in Portugal, which will accept a cheque either in escudos (in other words, euros) or a cheque with the equivalent amount in euros. The university has given me the figure in both escudos and euros. My bank account in Spain is with La Caixa, of Barcelona, and is in pesetas (in other words, euros), and in fact all statements now show a balance *in euros*.

When I asked for a cheque in euros at my bank, I was told that I would have to pay a commission for buying foreign exchange ("divisas").

Can anyone tell me why I should have to pay a commission to transfer into euros money which my bank statement tells me I already hold in euros? A similar commission is also charged *if I prefer to use a bank transfer, except that there is* an additional fee for the transfer. So much for free movement of capital. Can your banking experts tell us when things are going to change? Perhaps in 2001, or *could it be sooner?*

David Frost,
C/Palestina 5 13 F,
29007 Málaga, Spain

School uniform, the crucial but underestimated leveller

From Mr Tim Boole.

Sir, Christopher Parkes' article "Denver tribes make their own rules" (April 23) accurately portrays the clans that develop within almost all schools. The clothes students choose to wear to identify themselves with certain groups merely *accentuate* the division.

This affirms the crucial but underestimated role the traditional school uniform plays in toning down differences between children. It is a leveller of class background, fashion awareness, musical tastes and a host of other social barriers that exist in today's society.

To ban a single item of *clothing, as was the* response of the Colorado school authorities (trench-coats being the choice in this case), is a feeble, knee-jerk reaction. It will ultimately *fail to combat* the numerous factions that students seek to ally themselves with by their dress sense.

Tim Boole,
196 Bedford Hill,
Balham,
London SW12 9HJ,
UK

Malaysia's legal system

From Mr J. M. Amir.

Sir, I refer to your editorial "Abuse of power in Malaysia" (April 15). I have no dif*ficulty* with societal culture *of making* comparisons, and you had compared *Malaysia's* legal process with that of the developed world. However, can you really cite two countries whose legal system and processes are similar, *especially* if one is developed *and the other* developing? Just because countries and cultures are different, can that be the basis for one to say the other "badly needs to modernise"?

We take great exception to the attitude *you have taken* and we reject all your allegations that there has been injustice to Dato' Seri Anwar Ibrahim. The presiding *judge*, whom you had rightly described *as honest* and upright, has a 394-page document as the basis for his judgment. As far as we are concerned the judge has discharged his responsibility with utmost care and fairness to all concerned.

Anyone is free to comment on the case but we do not condone any snide remarks against our country and our government or interference in our business. May I suggest that we continue to uphold these important tenets of mutual respect.

J. M. Amir,
High Commissioner for Malaysia,
45-46 Belgrave Square,
London SW1X 8QT, UK

Dart Management and disclosure duties

From Mr E. Michael Hunter.

Sir, We were surprised by the recent suggestion in the Observer *column* that, unless Dart Management discloses "how much money it manages" and other financial information, Dart is not well placed to criticise Russian companies for abusing minority shareholders ("As clear as mud", *March* 1). Dart and the companies it advises are private companies.

Public companies like Yukos – a Russian oligarch-controlled oil holding company that Dart has criticised for violating shareholder rights – are owned by their shareholders. That is why Yukos has disclosure duties to Dart, which acts for minority shareholders in Yukos subsidiaries. Dart does not have commensurate duties to Yukos.

Yukos is *currently* trying to cause all three *of its* major partially owned subsidiaries to dilute minority shareholders by issuing huge numbers of new shares – 243 per cent, 239 per cent, and 194 per cent of the current *outstanding* ordinary *shares – to* previously unknown offshore companies.

The share price offered to dissenting shareholders in these proposed transactions implies a total valuation for one of the subsidiaries, Tomskneft, of approximately $11m.

The *Moscow* Times reported on March 16 that, according to analysts' estimates, Tomskneft's production of 9.9m tonnes of oil last year would have generated *between* $500m and $600m. That disparity, which is similar in scale to the *disparity* at the other two *subsidiaries* between the offered share price and actual company value, fully justifies the conclusion of analysts that – as the Moscow Times has also *reported* – "this is basically a *scheme to go* backdoor and grab Yukos' *assets*".

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FINANCIAL TIMES

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The first casualty

Guy Dinmore, the Financial Times correspondent in Belgrade, was expelled by the Yugoslav authorities at the weekend, following similar action against British and other western journalists. As a very experienced foreign correspondent, he had provided a steady flow of well-informed, objective and accurate reports during his two-and-a-half years in the country. Since the Nato bombing campaign began he had continued to do so, using a wealth of contacts in government and opposition and around the country, to attempt to give a clear picture of the damage being caused, and the conflicting political responses to the war.

Like other journalists, he suffered restrictions on his movements, not least in travelling to Kosovo itself, the cause of the current conflict, which remains a black hole for reliable reporting. His departure leaves only a handful of long-serving correspondents in the country. Their place has been taken by new arrivals, who are forced to rely far more on government sources for their information.

His expulsion is wrong. Of course, it may seem surprising to find journalists representing belligerent Nato member states still reporting from Belgrade, and Serbian journalists doing the same from Brussels, London and Washington. But that is the nature of modern war and a globalised information system. On occasion, the media itself may become part of the conflict, to be exploited wherever possible for propaganda advantage.

Truth is the first casualty, as it ever was. In Yugoslavia, the propaganda machine remains very powerful, controlled by Slobodan Milosevic, his family and close associates. Nato has clearly failed to get even a small part of its message – that the war is being fought to protect the Albanian minority – across to the rest of the country. But the decision to target the Yugoslav broadcasting headquarters was misguided, even if it is a key part of the propaganda network. The strike failed in its purpose, and will almost certainly prove to have been counter-productive: information cannot be silenced by bombs.

The Nato allies are also uncomfortable with reporting of unintended consequences of their actions – like the bombing of a refugee convoy by mistake. But they are prepared to admit their mistakes, and accept a vigorous debate about the rights and wrongs of the bombing campaign. That is their great strength.

Mr Milosevic may hope that by expelling correspondents with experience and good contacts in his country, he will be better able to peddle his propaganda abroad. But his action is a demonstration of weakness. It suggests that he knows he is starting to lose the propaganda war as well as the war in the sky.

Euro weakness

Eurosceptics have watched the euro's slide against the dollar with glee, and some are already proclaiming the single currency project a failure. The European Central Bank had until recently little to say on the matter, but has now started to suggest that it might not stand aside if the euro falls further. It should not take fright so easily.

The weakness of the euro is not, as the sceptics claim, a sign of a lack of confidence in the euro as a currency, but a simple reflection of economic fundamentals. European growth is slower than expected, partly because of the ECB's sluggishness in reducing interest rates. Meanwhile, the US economy is far stronger than had been imagined, partly because of the soaring stock market. The next movement in US interest rates is likely to be up; but rates in Europe could still have further to fall. This is the main reason for dollar strength, and euro weakness.

As the year goes on, the euro could strengthen again. There are tentative signs of economic recovery in Europe, while in the US there are familiar questions about the continued strength in domestic demand. And the widening US current account deficit, compared with the euro-zone surplus, will put increasing pressure on the dollar.

But does the euro exchange rate matter? There is nothing intrinsically "good" about a strong currency, or "bad" about a weak one. The question is whether its level is appropriate to a country's economic circumstances. In the case of both the euro and the dollar, the answer is yes. A weak euro, by helping exporters, is providing a boost to output in the slow growing euro-zone. In contrast, the strong dollar is helping to prevent overheating in the US. In these circumstances, the ECB should have little cause for concern.

The true measures of the euro's success will be the development of deeper and more efficient capital markets, and the amount of cost-saving corporate restructurings across national borders – not the behaviour of the currency. Early signs suggest that these processes are under way. Euro-denominated bonds accounted for almost half of all international issuance in January. European takeover and merger activity in the first quarter of 1999 was a record $345bn.

If the developed world is committed to floating exchange rates, it cannot complain when they do not behave in a convenient way. The falling euro may not have been quite the start to the single currency that European politicians had hoped for, but it is justified on economic grounds. The ECB would be very unwise to risk its credibility in attempting to buck this market.

New Tories

Britain's Conservative party is not only copying Labour's policies. It has borrowed the very phrasing of its political strategy. Before the 1997 election, Labour pledged to implement the public spending straitjacket that the Tory government had planned for the two years up to April 1999.

Last night, Francis Maude, the shadow chancellor, pledged to support the large *increases* in spending on health and education, which Labour has since announced for the next three years. If elected, the Tories would carry on the good work.

In one respect, this is rather a phoney argument. Health spending rose by more than 70 per cent in real terms during the Conservatives' 18 years in power – an average of nearly 3 per cent a year. So the 5 per cent annual increase now planned by Labour is an acceleration of the trend, rather than a change in direction.

But behind the figures, a desperate struggle is taking place to re-spray the Conservative party in more caring colours, and to pare away the harsher edges of Thatcherite ideology.

In a speech last week to mark the 20th anniversary of Lady Thatcher's first election victory, William Hague praised her for slaying the dragons of the past: socialist dogmas, oppressive trade unions and excessive taxes. But the new leader knows that he faces a subtler foe. Tony Blair has appropriated all the Conservatives' best lines and reworked them into a script of compassion and social commitment.

The Tories, therefore, have no option but to move back to the centre ground where R.A. Butler and Harold Macmillan once planted their standard. Mr Hague must buy in policies for the welfare state, just as Labour did on economic management, law and order, defence and big business.

The Conservatives need also to find a new expression for their style of patriotism, which too often becomes narrow and stultifying, particularly on Europe. And they need to give urgent thought to ways of cementing the unity of the UK, while embracing assemblies in Northern Ireland and Wales and the Scottish parliament. The danger for the Tories is that they will trapped in Little England. Their opportunity is to exploit the huge uncertainties which surround Labour's grand constitutional experiments.

Conservatives must also argue with a new persuasiveness for free market and libertarian principles, while avoiding rightwing extremes. But above all they should recognise that, against a government which has occupied most of their redoubts, their best hope is a clearer identity, intellectual rigour and infinite patience.

Changing family fortunes

Europeans are taking their savings out of bonds and banks and investing in shares, says Jane Martinson

Bernhard Heiker, a 33-year-old German management consultant, is less conservative than his father. While Mr Heiker Senior puts most of his spare cash in a savings account, his son has placed money in mutual funds that invest in equities inside and outside Germany.

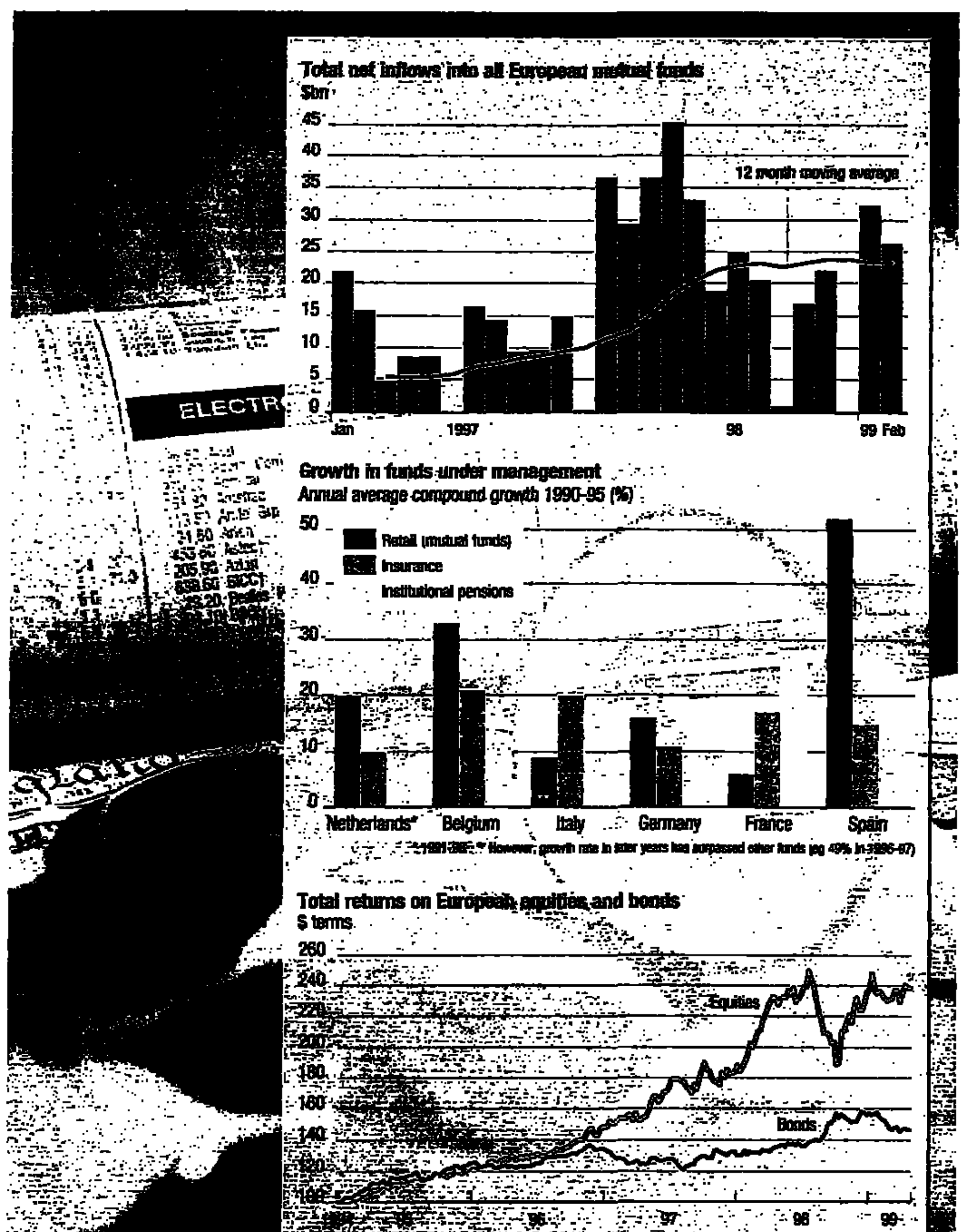
Mr Heiker Senior, like many Germans of his generation, has been cautious about investing in shares – partly because of memories of his country's political upheavals and the ravages caused by two world wars. But younger Germans are turning their backs on the financial habits of their parents. Instead of keeping cash in government bonds and savings accounts, they are investing in equities.

The young Mr Heiker, who works for the Boston Consulting Group in Düsseldorf, invested DM20,000 (£6,734) in a mutual fund – a fund that pools individuals' cash and invests it in securities – three years ago. Since then he has steadily invested more of his money in non-German companies. "I realised that the world was much larger than Germany alone," he says.

So why are these young investors putting their faith in European shares? And what impact will this fundamental shift in investor behaviour have on Europe's capital markets?

Even before the euro was launched in January, an interest in pan-European equities was already building up – not only in Germany, but across the 11 members of the euro-zone. Fund managers say it is retail investors, rather than pension funds, who are leading the way.

The shift in individual investment patterns in the past two years has been startling. All mutual funds, whether equity or bond based, have seen solid growth. But it was equity-based funds that really took off: the net inflow into European equity funds totalled $90bn in 1998 – a sum which is nine times greater than the volume of funds in 1996, according to Merrill Lynch, the investment bank. By the end of 1998, there was more money in equity funds than in any other type of fund.



Deka, the second-largest mutual fund group in Germany, saw the funds under its management rise by 67 per cent to DM32.5bn last year. But whereas in previous years more than half of their funds were invested in German companies, the proportion fell to just over one-third in 1998. Deka, like many other mutual funds, has chosen to invest a growing part of its portfolio across Europe.

The new pan-European funds have been heavily marketed, but there are other reasons behind this switch.

First, shares are looking more attractive as long-term investments, as equities have outperformed European bond markets since 1995.

Second, individuals are being encouraged to save for their own retirement. Demographic trends show that the number of workers supporting each pensioner in Europe will drop from four to two by 2040. "The retail investor is taking matters into his own hands. There is an increasing perception that they need more cash in equities for their retirement," says Wolfgang Mansfeld, managing director of Union Investment, one of Germany's largest mutual fund groups.

Third, European economic and monetary union has broadened the investment horizons of many small investors from one equity market to 11. It is not only that continental Europeans now have more baskets in which to put their eggs. The launch of the euro has made it simpler to diversify investments without big transaction costs.

Perhaps the most surprising aspect of this trend is that it is being led by the individual investor, rather than the big pension funds which dominate their traditional markets. In theory, institutional investors should be just as influenced by the factors which are driving individuals, but their size makes them less fleet of foot.

If they did change their investment strategies, however, the impact would be dramatic. Santiago Fernández Valbuena, chief executive of Fonditel, a Spanish pension fund group, estimates that if institutional funds invested according to pan-European benchmarks rather than domestic ones, 15 per cent of the market value of European companies would change hands.

There is some evidence that large European institutions are changing their asset allocation. New money is being invested in pan-European equities – but it has not amoumted to the "wall of money" predicted before the launch of the euro.

Kees van Rees, head of the pension fund of Royal Dutch Shell and president of the European Federation of Retirement Funds, says institutional investors have been been held back by two factors: the cost of shifting investments, and the impact on share prices of re-investment. Since institutions have big holdings in individual companies, they tend to drive down a share price if they sell their investments too quickly, Mr van Rees says.

Retail investors do not yet have the clout of the big institutional funds, and they are not expected to make a big impact on the valuation of European companies in the medium term.

But if the growth in the European mutual fund industry is sustained, what is the impact on European equities markets likely to be?

Some fund managers expect household names in Europe will do best out of the growing interest in holding shares. This is already starting to happen: the share prices of Europe's large companies have outperformed broader indices in the past six months.

"No one is going to invest in something they can't even pronounce. Bayer is OK, but Aktiengesellschaft – no way!" says Mr Fernández Valbuena of Fonditel.

Disproportionate investment in large companies could also be encouraged by individuals putting cash in funds that track indexes. US investors have already shown a preference for the relative cheapness and transparency of index-tracking funds, rather than actively managed funds.

There is already evidence of European investors following their US counterparts. Although only 4 per cent of European mutual funds were tracking indices at the start of last year, investments in such funds rose 28 per cent over the year, according to the consultants William Mercer.

In theory, individual equity investment could also benefit some industrial sectors. In the US, the internet is king. In Europe, it is still not clear which sectors will be favoured by the retail investor.

Not everyone in the fund management industry is comfortable with the arrival of millions of potential individual investors. Some big institutional funds fear big distortions could emerge in the market. Others express concern that individuals are not yet educated enough to make wise investment decisions. "Most people haven't a clue about the Dow Jones or the FTSE," says Mr van Rees at Shell.

Among other things, fund managers worry about how Europe's new individual equity investors will react to a market crash.

The rise in global equity markets has at times made shares appear to be a one-way bet; but a downturn would test the staying power of the new market players.

Fight for mutual gains

Five fund management groups control 80 per cent of Germany's $300bn mutual fund market.

Such concentration is echoed throughout continental Europe, reflecting the dominance of large domestic banks and financial institutions that have capitalised on their national distribution networks.

DWS, which manages about 25 per cent of all German mutual fund money, relies on a sales network provided by the mighty Deutsche Bank. Deka, the secondlargest group, with a 17 per cent market share, has access to millions of investors through a savings bank network which spreads throughout most of the country.

Such entrenched positions provide both the greatest barrier and one of the greatest opportunities for rival fund management companies. US and UK fund managers, attracted by the expected growth rates in Europe, hope to increase their share of other markets by selling their expertise in global equity investing. The relatively poor performance of traditional investments such as government bonds helps in this marketing crusade.

US and UK fund managers are not alone in wanting to increase their foreign business. DWS, for example, has ambitions in Spain and Italy, in particular, where it has been selling mutual funds for several years.

Andrew Fleming, the London-based chief investment officer of ABN Amro Asset Management, owned by the Dutch financial services group, echoes others when he says: "Europe is the next big battleground and everybody wants to fight."

But foreign fund manager have so far struggled against the local competition. No individual non-domestic manager holds more than about 5 per cent of total assets in any European country, whether in the fast-growing mutual fund area or the pension fund market.

Without the advantages of a distribution network foreign entrants face the weight of local regulations as well as the difficult task of persuading naturally cautious investors.

Christian Strenger, the head of DWS, says: "Other European and US fund managers are not as deep into the local system here. They need to put their foot on the ground."

Some of this failure to win market share is due to the psychology of the target audience. "Most normal people [in Germany] don't want their mutual fund information to be signed by a John Smith in London," says Mr Strenger.

Such difficulties have not prevented a wave of mergers as global groups seek to gain market share across the continent without having to put "their foot on the ground" first. The merger wave is not expected to peter out soon.

OBSERVER

Blowing bubbles in Hong Kong

It's all in the name. Or at least that's the case in the latest bout of internet fever to hit Hong Kong. Shares in telecom company New World Infrastructure bubbled up yesterday – and all it took was a bit of speculation that a Chinese company in which it holds a smallish stake might spin off its internet business and list it on Nasdaq.

The name of the proposed unit is China.com, an address in cyberspace that's bound to have pulling power. But could it be that Hong Kong's investors are getting carried away? After all, the place is already crowded with more than 130 internet service providers. And few web sites have been able to lure the kind of lucrative advertising that their US equivalents can boast.

Fundamentals don't count for much. Western institutional investors and local financiers alike are in a rush to get into the market as it rebounds. "Internet play" has become an excuse to throw money at any stock that moves. Observer can't help wondering when it'll all go pop.

Russian diplomacy

Russians have been expressing their support for their Serb brothers in some strange ways. But few have been stranger than those dreamed up by Yuri Savelyev, rector of the Baltic State Technical University in St Petersburg. First, Savelyev chose to expel a group of American lecturers who were teaching at the university. Now, he's decided to set up a scholarship in honour of Slobodan Milosevic, president of Yugoslavia.

From the beginning of the academic year, the university will award the Rbs520 monthly stipend to one Russian and one Serb.

The course of study has yet to be announced, but maybe diplomatic relations or jurisprudence would be useful additions to the curriculum.

Overdrive

Jürgen Schrempp, chief of DaimlerChrysler, seldom steps on the brakes. Globe-trotting across four continents in less than a week comes as naturally to him as adjusting a wing mirror. But his refusal to slow down has had unexpected consequences: after 35 years of marriage, he's getting a divorce.

It's all to do with last year's Daimler-Benz merger with Chrysler, which the 54 year-old Schrempp once famously dubbed "a marriage made in heaven". Making a success of the merger is so important to him, he says, that divorcing his wife became the only road to take.

"She wanted me to put the brakes slowly on, and I wanted the merger with Chrysler," he says. "I had the choice: work or marriage. And I realised that the challenge of the new task meant more to me than anything in the world."

So there's little chance of Schrempp going into reverse on this one, then.

Business 101

Wannabe corporate raiders at UCLA's business school may want to book a cramming session with their new dean. The recently appointed top dog Bruce Willison is a 50 year-old high-flier and certifiable bid-meister. In fact, his career reads like a case study in mergers and acquisitions.

Willison learned his first tricks at California bank First Interstate, where he became chief executive just in time for the last successful hostile bid to hit the US banking industry. Wells Fargo was the predator and fought off a white knight bid from First Bank Systems of Minnesota. But perhaps one of the biggest beneficiaries was Willison, who walked away from the deal with a nice wad of cash, awarded from First Interstate's poison pill defence system.

Next stop was HF Ahmanson, where Willison became president of the largest thrift, or building society, in the US. Two years ago, he helped launch a hostile bid for rival Great Western, the number two in the business. Washington Mutual then launched a white knight bid, and won, partly because the Wells Fargo saga had made investors weary of hostile bids. Oddly enough, Mr Willison's own MBA came from UCLA's bitter cross-town rival, the University of Southern California. An offer to merge with USC, possibly followed by a white knight bid from Kellogg or Wharton, can't be ruled out.

Out of this world

"Beam me up Scotty" is hardly the corporate slogan you'd expect for a down-to-earth business that makes machine tools. But Gildermeister has boldly gone where no German engineering company has gone before. It's turned to Captain Kirk and the star fleet crew to help flog its products on Planet Earth. So far, the company's shelled out DM250,000 to Paramount Pictures for the privilege of using the likes of Chekov, Spock and, of course, engineer Scotty in its promotional bumf. In recent weeks, thousands of glossy brochures festooned with their pictures have landed on the desks of Gildermeister's clients across the galaxy.

The marketing gimmick is the brainchild of Rüdiger Kapitza, Gildermeister's go-getting commander, who admits he's not a Trekkie. Observer hopes a Klingon doesn't get offended.

The Financial Times

100 years ago

The Copper Corner
There is no question that a powerful American combination has been formed to control the Copper market and the principal American copper producers. What we desire to impress upon our readers is that the market is in a highly dangerous condition either for bulls or bears. It is controlled by a powerful American clique, who command the greater portion of European stocks, and therefore hold the key of the position. The control has not been built up in a day, but is the outcome of some eighteen months of quiet work.

50 years ago

Shipping output
For the first time since the end of the war, British shipyards are producing less than half of the world's total tonnage of ships. The decline is mainly due to the fact that the abnormal conditions of the post-war period, with its pent-up demand for ships all over the world, which enabled a high proportion of building to be undertaken in Britain's comparatively untouched yards, have passed, and the effect of the recovery of foreign shipyards is now being felt.

FINANCIAL TIMES
TUESDAY APRIL 27 1999

THE LEX COLUMN

GEC switches on

General Electric Company is trying to turn itself into Europe's Lucent. The acquisition of Fore Systems for \$4.2bn (net of cash), on top of last month's \$2.1bn purchase of Reltec, takes it to the heart of the fast-growing US telecommunications equipment market. Fore Systems brings a market-leading internet switch to complement Reltec's access products and Marconi's original transmission equipment. According to GEC, this deal "completes the physics set": it now has all the building blocks to rival Lucent and claims it is way ahead of Siemens and Alcatel. In terms of technology that may be true. But Marconi Communications' projected 1999 sales of perhaps \$5½bn are still a long way behind Lucent's \$35bn.

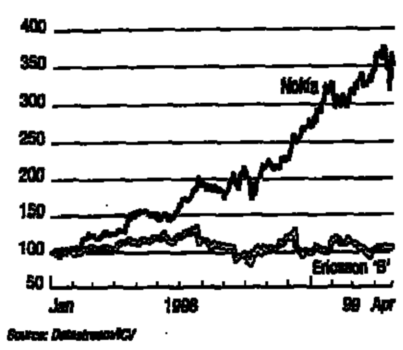
One way of narrowing that gap will be to cross-sell. Fore's clever switch is a hit with internet service providers but it has yet to win over traditional telecoms carriers, where Reltec and Marconi have excellent relationships. Naturally, GEC is paying a fancy price at 6.6 times revenues; but then Fore is growing at 35 per cent and Lucent paid nearly nine times sales for its larger rival Ascend.

The speed of GEC's transformation – from static defence monolith to booming telecoms equipment provider in less than a year – is impressive. Yesterday's 5 per cent jump in the shares shows UK investors starting to recognise this. Nevertheless, GEC's planned Nasdaq listing later this year could release a lot more value.

Ericsson

This is supposed to be Ericsson's year. It has not started out that way. As Nokia, the mobile phone darling, reported a near doubling of pre-tax profits in the first quarter, Ericsson's plunged by roughly 50 per cent. Ericsson can rightly gripe at being endlessly dogged by comparisons with Nokia. After all, these are different companies. Nearly 70 per cent of Ericsson's total sales are actually *not* mobile handsets. Over at Nokia, the reverse is true. That said – and despite cornering a thoroughly respectable 15 per cent of the mobile market – Ericsson has undeniably been flat-footed. The product cycle, which used to look like a form of buggins' turn between Nokia and Ericsson, has shortened. Nokia has adapted; Ericsson has yet to show it can also. Much depends on how the market reacts to the commercial launch of Ericsson's new phones later this year.

Ericsson/Nokia
Share prices relative to the Eurotop 300 index



Source: Datastream/ICV

In the rush to beat up on Ericsson's handset problems, there is a risk of overlooking the star at the heart of the company: the mobile systems business. Here Ericsson is way ahead of the pack. Like-for-like first quarter sales jumped 47 per cent.

The comparison in the next quarter may be more challenging. But this business certainly plays to Ericsson's strengths in research and development and long-standing relationships with operators. Ericsson's challenge this year is to show it can still be a sharp consumer goods company as well.

Europe

The European economy is spluttering. Growth forecasts in the euro-zone have been revised down to just over 2 per cent this year – respectable, but not enough to make much of a dent in unemployment.

The problem is the manufacturing sector, which has been hard hit by the slowdown in world trade. Sentiment among industrialists is gloomy although there are signs it may have bottomed out. But recovery may still be tentative, thanks to the region's greater relative exposure to eastern Europe (where export volumes have slowed sharply). Fortunately, the consumer sector is strong enough to keep the economy moving forward.

In any case, Europe's policymakers seem to have painted themselves into a corner in terms of giving the economy a boost. It is tough to ease fiscal policy because of the Maastricht straitjacket while the European Central Bank has indicated that the recent half-point cut in interest rates was the last for the current cycle.

The weakness of the euro is giving Europe's harassed exporters some help. Here too, however, the region is blocking off this option, with bankers and politicians recently indicating that the currency's decline has gone far enough.

But what can they do to halt the euro's fall? Raising interest rates is out of the question. Intervention, with the help of the Japanese (who want to prevent the yen from becoming too strong), might at least give the euro bears a nasty shock.

Bradford & Bingley

Better off as a building society? Not according to the owners. Two years ago, five of the UK's biggest home loans institutions converted into banks, showering £30bn (\$48bn) on their members. Yesterday's Bradford & Bingley vote suggests more conversions may be on the cards, even though the remaining societies are mainly hostile to change. For one thing, members are turning up the heat. B&B's are the first to vote for conversion despite the board's wish to stay mutual.

One reason is growing competition from new entrants, such as Prudential's Egg. Society customers, whose return as equity owners comes from favourable borrowing or savings rates, are finding this is being eroded. Nonetheless, a full-blown reprise of 1997 is unlikely. Most of the remaining societies are too small to float. Even B&B, the second largest survivor, is probably on the cusp. Also, many of the larger societies have raised anti-conversion defences.

Much will depend on the windfall B&B delivers. Although it has been growing fast, the society's low rates and sub-scale distribution have combined to give it a miserly return on equity of under 10 per cent. A sizeable discount to quoted mortgage banks is likely. Stripping out surplus capital, B&B could be valued at three times its £700m book value. Adding back the estimated £300m surplus gives a value of £2.4bn, or £1,000 a member. A trade sale would be more eye-catching.

India heads for its third election in three years

Market falls as world's biggest democracy faces months of turmoil

By Mark Nicholson in New Delhi

India's president called the country's third election in as many years yesterday, triggering what threatens to be a prolonged period of political uncertainty.

K.R Narayanan acted after the Bharatiya Janata party coalition, narrowly ousted in a confidence vote earlier this month, recommended dissolution of the parliament. The stock market fell 5 per cent in response.

M.S. Gill, chief election commissioner, will decide the date of the country's 13th post-independence election after consultations with politicians and officials. Mr Gill appeared to rule out polls before the end of July.

But BJP leaders in effect launched their election campaign yesterday, by blaming the Congress party and leftwing parties for plunging the world's biggest electorate into "unnecessary" fresh polls.

"The country has to pay for the destructiveness of the Congress party," it said, in what is likely to be a campaign refrain.

Elections became inevitable after more than a week's political haggling between Congress and smaller parties failed to arrive at a workable alternative to the BJP, which they voted out by one vote on April 17.

It takes at least two months to organise a ballot for the 600m-strong Indian electorate, but Mr Gill may decide to delay the polls until after the June-September monsoons. The constitution permits a maximum of six months between the end of one parliament and the first sitting of its successor.

However, even snap polls in late June or July would leave India facing up to four months of drift in Delhi, effectively holding up meaningful governance. Polls in September would postpone to late this year or even early 2000 any further legislative activity.

India's parliament already has a backlog of 106 bills, some of them now pending for two years and half of them related to economic reforms – though parliament did manage to pass the BJP coalition's February budget in the midst of the latest crisis. The backlog includes an insurance bill designed to open the sector to private and limited foreign investment, which now looks unlikely to be passed this year.

The hiatus will also affect India's post-nuclear test foreign policy, stripping the political content out of bilateral talks.

Negotiations with Pakistan were due to resume next month, talks with Washington were also scheduled and China resumed direct bilateral talks with India in Beijing only yesterday.

US officials are resigned to the fact that India will not now be able to sign the Comprehensive Test Ban Treaty by its September deadline.

BJP leaders said that Mr Gill should call polls for June-July. "The caretaker government's tenure should be as small as possible," Pramod Mahajan, a BJP leader, said.

Mr Mahajan said the BJP would contest the polls with the same political allies – a clutch of smaller regional parties – as last time and with Atal Behari Vajpayee as its prime ministerial candidate.

Political void, Page 6

Corporate restructuring takes toll on Japanese private demand

By Paul Abrahams and Alexandra Nusbaum in Tokyo

Fears that private demand in Japan may be undermined by corporate restructuring were reinforced by unexpectedly gloomy data yesterday.

Job losses and the fear of unemployment appear to have weakened consumer confidence, which is feeding through into weak production and investment.

Sales at chain stores and department stores during March showed a significant deterioration from February's levels.

In the automotive sector, production for the 12-month period slumped to a 20-year low.

Although automotive output rose a year-on-year 3.8 per cent in March, it was mainly because of high demand for low-margin vehicles under 600cc.

Output for the year to March fell 7.5 per cent to just 9.97m units, the first time it has dipped below the 10m mark since 1979, according to the Japanese Automobile Manufacturers Association.

James Miller, president of Mazda Motor, the automotive group, yesterday forecast that total industry unit sales in the current financial year would total only 5.8m, slightly lower than last year's results.

Private demand represents more than 60 per cent of Japan's economy.

A poll published in yesterday's Asahi Shimbun newspaper showed that 82 per cent of Japanese were worried that they or their family's main earners would suffer a sharp drop in income or be made redundant.

Economists say such fears explain why the propensity to spend is at its lowest level on record. Unemployment is at a record high of 4.6 per cent.

Sales in chain stores, including supermarkets, dropped a year-on-year 8 per cent in March, the worst decline since the Japan Chain Stores Association began compiling data under the current method in April 1977.

The association said the government's efforts to raise demand by issuing coupons had failed because they were merely being used to substitute for cash that would have been spent anyway. It added that weak take-home pay – in the form of wages, overtime and bonuses – had also hit consumer spending.

Other types of stores also posted disappointing results. The Japan Department Stores Association blamed the long recession, rising unemployment and unseasonable weather for a 7.3 per cent drop in sales last month. Brian Rose, economist at Warburg Dillon Read in Tokyo described the data as "dismal and absolutely terrible".

Retail sales data are to be published today. Most private economists are predicting a year-on-year fall of between 5 per cent and 6 per cent.

CONTENTS

Airbus Industrie said it would go ahead with production of a 100-seat jet, the A318, after taking 109 firm orders for the aircraft. Page 4 AP

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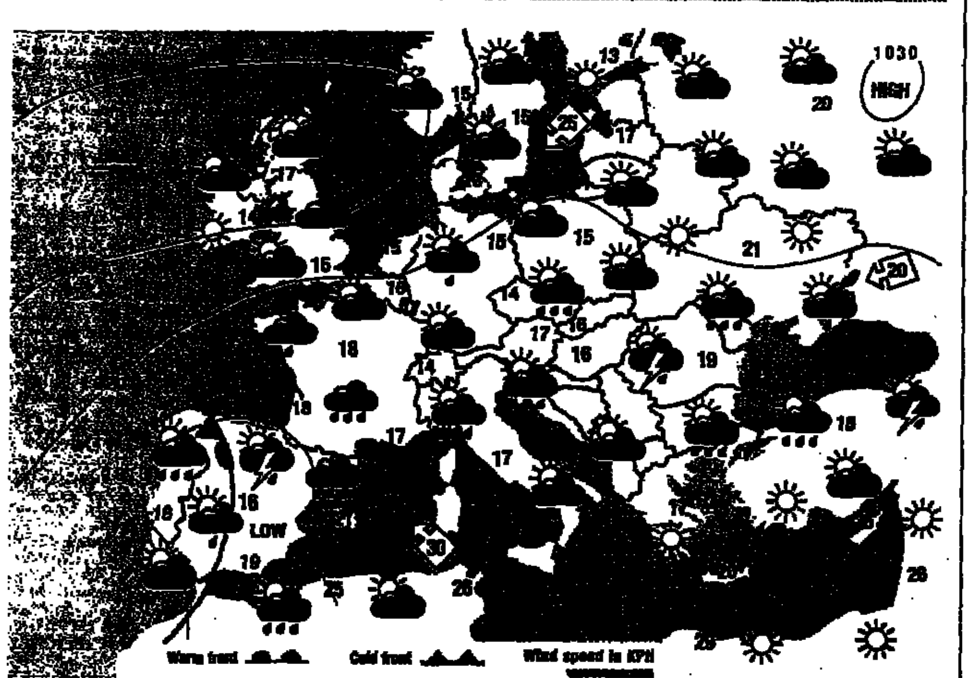
FT WEATHER GUIDE

Europe today

Scandinavia will continue dry and mild with sun, especially in southern Norway. Russia and Ukraine will continue mild as high pressure moves east. Eastern Europe, the Balkans and the eastern Mediterranean will have sunshine and showers, some thundery, although southern Greece will be sunny and warm. Much of western Europe and the central Mediterranean will be unsettled with showers or rain, the rain heavy in southern France and northern Italy. The Low Countries and northern France will stay dry.

Five-day forecast

Scandinavia will become increasingly cloudy, with rain spreading into the west overnight and gradually moving east. Much of the rest of Europe will have showers or rain. The rain will be heavy over Spain and France tomorrow night before it moves into northern Italy on Thursday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	Sun	35
Accra	Fair	33
Algiers	Fair	25
Amsterdam	Fair	15
Athens	Sun	21
Atlanta	Shower	31
B. Aires	Shower	20
B.ham	Fair	15
Bangkok	Shower	34
Barcelona	Shower	17
Beijing	Fair	23
Belfast	Fair	14
Belgrade	Fair	19
Berlin	Shower	15
Bermuda	Shower	23
Bogota	Shower	20
Bombay	Fair	32
Brussels	Fair	16
Budapest	Fair	16
C.hagen	Fair	13
Cairo	Sun	31
Caracas	Fair	30
Cardiff	Sun	16
Casablanca	Fair	19
Chicago	Shower	15
Cologne	Fair	16
Dakar	Fair	26
Dallas	Sun	29
Delhi	Sun	38
Dubai	Sun	37
Dublin	Cloudy	14
Dubrovnik	Fair	19
Edinburgh	Fair	16
Faro	Shower	17
Frankfurt	Fair	17
Geneva	Shower	14
Gibraltar	Fair	19
Glasgow	Fair	17
Hamburg	Shower	14
Helsinki	Fair	13
Hong Kong	Cloudy	26
Honolulu	Fair	26
Istanbul	Shower	16
Jakarta	Fair	33
Jersey	Fair	13
Johannesburg	Thunder	19
Karachi	Sun	35
Kuwait	Fair	38
L. Angeles	Fair	18
Las Palmas	Fair	22
Lima	Fair	25
Lisbon	Shower	16
London	Cloudy	15
Lux.bourg	Fair	17
Lyon	Rain	16
Madeira	Cloudy	20
Madrid	Shower	16
Majorca	Fair	21
Malta	Sun	21
Manchester	Fair	16
Manila	Fair	33
Melbourne	Shower	17
Mexico City	Shower	26
Miami	Fair	31
Milan	Shower	15
Montreal	Fair	11
Moscow	Fair	20
Munich	Shower	16
Nairobi	Fair	29
Naples	Shower	18
Nassau	Fair	30
New York	Fair	18
Nice	Rain	17
Nicosia	Sun	25
Oslo	Fair	15
Paris	Shower	16
Perth	Sun	25
Prague	Shower	14
Rangoon	Shower	35
Reykjavik	Fair	8
Rio	Thunder	27
Rome	Shower	17
S. Frsco	Fair	18
Seoul	Fair	22
Singapore	Cloudy	32
Stockholm	Fair	15
Strasbourg	Shower	17
Sydney	Shower	19
Tangier	Cloudy	19
Tel Aviv	Sun	26
Tokyo	Sun	22
Toronto	Fair	14
Vancouver	Shower	10
Venice	Shower	18
Vienna	Shower	17
Warsaw	Shower	15
Washington	Shower	17
Wellington	Fair	14
Winnipeg	Fair	19
Zurich	Shower	14

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Snuff sales boost Swedish Match
Rapid growth in moist snuff sales in the US has boosted first-quarter profits for Swedish Match, the tobacco products group, as smokers try to find smokeless alternatives to cigarettes. The sale of moist snuff is banned in European Union countries except for Sweden, where citizens consume more than 150m tins a year and 15 per cent of the population uses it. **Page 20**

Siam Cement yields to hard times

Chumpol Nalamlieng (left), president of Siam Cement, claims to be "walking naked" in Thailand's post-crash corporate world as the country's biggest manufacturing conglomerate embraces transparency. Saddled with $4.2bn in unhedged foreign debt and facing a surge in competition, the formerly secretive blue chip is opening up to shareholders now times are hard. **Page 22**

Satellite phones fail to catch on
Iridium's $5bn launch of the world's first hand-held satellite mobile phone service is failing to attract enough customers. The US group blames poor marketing but the loss of key executives suggests a basic fault. **Page 24**

Rubber pact loses two key members
The international pact on natural rubber prices looks certain to fall apart after the International Natural Rubber Organisation (Inro) failed to prevent Thailand and Malaysia from leaving the producers and consumers' body. **Page 32**

Investors unmoved by Casablanca
Casablanca was one of the best performers in emerging markets last year, finishing up 20 per cent on the back of growth in mutual funds. But it has fallen by 4 per cent recently and investors are proving hard to please. **Page 42**

Canada gas heads south for revenue
Two pipelines completed last year added 15 per cent to Canada's natural gas export capacity, transforming the prospects of companies formerly unable to take advantage of US prices up to 50 per cent higher than at home. **Page 32**

Sankyo in need of good remedies
Sankyo is in trouble. The top-selling product of Japan's second largest drugs group, a cholesterol treatment, is facing slowing sales growth while its most recent launch, a diabetes treatment, has failed to find favour with the US Food and Drug Administration. **Page 26**

Drought threatens jute production
Lack of rain in India and Bangladesh, the two largest producers of jute, is threatening a worldwide shortage. The price of benchmark grade TD-4 rose 10 per cent in a month, to Rs10,150 ($237) a tonne. **Commodities, Page 32**

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MARKET STATISTICS

ACQUISITION COMPLETES 'FINAL PIECE OF PUZZLE' IN TRANSFORMATION OF UK DEFENCE BUSINESS INTO INFORMATION TECHNOLOGY GROUP

GEC buys Fore Systems for $4.2bn

By Christopher Price in London, Roger Taylor in San Francisco and Daniel Bogler in New York

General Electric Company of the UK underlined its transformation into a telecommunications equipment group yesterday with the $4.2bn acquisition of Fore Systems of the US.

The move comes a month after GEC paid $2.1bn for Reltec Corp, also of the US, and follows the £7bn disposal of GEC's defence business to British Aerospace in January. The company said then it would spend the proceeds on telecoms acquisitions.

The purchase marks the end of GEC's traditional cash pile; for the first time it will have gearing. The company's embarrassment of riches and how to spend its resources has been a big strategic question for successive GEC managements. GEC shares closed up 29¼p at 608¼p.

John Mayo, finance director, said Fore Systems was "the final piece in GEC's technology puzzle". Any further purchases would be to gain market share or increase geographic presence.

Once the defence disposal had been completed, GEC would apply to have itself reclassified on the London stock market as an information technology group, he said. It would also seek a listing on the Nasdaq market in the US.

Fore Systems, also quoted on Nasdaq, specialises in internet switching equipment. Its expertise added to Reltec's strength in the access segment and Marconi's call software products to give GEC a strong position in the telecoms equipment market, particularly in the US, Mr Mayo said.

"Only Lucent has anything near as comparable to our reach," he said. GEC's revenues from the US, less than half its total before the Reltec deal, would rise to around 65 per cent of the total.

GEC is paying $35 a share, a 43 per cent premium to Fore's closing price last Friday. Fore reported revenues of $632m in the 12 months to March 31.

Fore is one of the few remaining data networking companies of acquirable size – along with Cabletron Systems and Newbridge Networks – and has long been the subject of takeover speculation.

It specialises in Asynchronous Transfer Mode, a system for sending data at high speed over networks used by many telephone companies to manage heavy traffic loads.

However, it has had increasing success selling its equipment to operators of public networks such as internet service providers and telephone companies. Level Three and Time Warner Communications are among its customers.

GEC's acquisition is the latest in a string of takeovers in the data networking business. Lucent Technologies has bought Ascend Communications, Alcatel of France has bought Xylan, and Siemens a number of smaller companies.

Analysts said GEC's acquisitions gave it the necessary expertise and product range to compete in this market but it was still a new player.

Lex, Page 18

eBay to take over Butterfield

Online group agrees $260m stock deal for auction house

By John Labate in New York

Butterfield & Butterfield, the third largest traditional US auction house, yesterday agreed to be taken over by eBay, the fast-growing online auction company, in an audacious stock deal valued at $260m.

The 134-year-old auction company, based in San Francisco, yielded to the financial clout eBay wields thanks to its highly rated shares.

Yesterday eBay had a market capitalisation of more than $25bn.

The deal was the boldest attempt yet by eBay to expand internet auctioning from its base of low-end collectables into the world of fine arts and upmarket collectables.

The two companies had formed recent auction alliances but few in the art or internet sectors had expected a takeover.

"It came as a big surprise," said Daile Kaplan, vice president of Swann Galleries in New York. "The implications are far-reaching."

Internet analysts and investors approved of the deal, sending eBay's shares $12½ higher in midday trading to $212⅝.

Butterfield's revenues last year reached $20m, with pro forma net income of $1.5m. eBay had net income of $2.4m on revenues of $47m in 1998.

Butterfield was days away from launching its own initial public offering, now withdrawn, that was expected to raise as much as $18m on Wall Street. eBay said the acquisition would be accretive to earnings in 1999.

OJ Simpson's 1968 Heisman Trophy on display at Butterfield & Butterfield's Los Angeles auction house where it was sold earlier this year. Butterfield's revenues last year reached $20m. AP

Analysts considered the move a key expansion for eBay, which holds some two-thirds of the person-to-person online auction business. "It gives them more sophisticated content and their customers will get some quality assurance," said Sue Rothberg, senior analyst at Gomez Advisors.

It also comes at a time of growing competition in the person-to-person online auction market, with operations begun recently by online groups Amazon.com and Yahoo! eBay said yesterday it planned few changes to Butterfield's auction houses, but had big plans to incorporate its team of 50 art authenticators and high-end auctions to its own internet site.

Butterfield specialises in the middle tier of high-end auctions, with prices on average between $300 and $10,000.

eBay continues to meet huge demand from consumers, adding some 200,000 auction items each day.

Yesterday's deal appeared timed to head off the debuts of internet offerings by the two leading auction houses, Sotheby's and Christie's, later this year. "It makes it a lot harder for Sotheby's to launch with a bang in that market," said Evie Black Dykema, online analyst at Forrester Research.

eBay's move comes in the early stages of art auctions on the internet.

Sotheby's plans to launch its online auction site in July, with a collection of high-end baseball memorabilia. Christie's website is expected to launch in September.

Chenault named chief executive of American Express

By Richard Waters in New York

Kenneth Chenault, president of American Express, was yesterday named as the group's next chief executive, positioning him to become the first black American to run a prominent US multinational.

The 18-year veteran of the payment-card company will succeed Harvey Golub as chief executive in two years' and chairman a year later, the company said.

Though several black Americans have risen to positions of power in corporate America, none have yet headed a company of the scale or prominence of American Express.

Mr Chenault has always played down his racial background, preferring to have the spotlight highlighting his track record as an executive. He has won a strong following on Wall Street for his part in American Express's turnaround since the early-1990s.

During that period Mr Golub and Mr Chenault have stemmed the slide in the company's market share, branched out into new areas such as credit cards and successfully hit back at the bank-owned payment networks Visa and MasterCard.

Mr Chenault, 47, was elevated to the position of president two years ago and his eventual succession to Mr Golub, 60, had been widely forecast. However, the handover will come earlier than Wall Street expected, at a time when Mr Golub is still three years from the company's mandatory retirement age.

Kenneth Chenault: Wall St support

Explaining the unusual move of announcing the succession in advance, Mr Golub said he wanted to "avoid any possible confusion about my retirement plans" and make sure the switch was orderly. He said he would retain "ultimate responsibility and decision-making authority" during the next two years.

While shunning attention to his race in his work life, Mr Chenault has been privately associated with initiatives linked to other prominent African Americans. His board seats include the Arthur Ashe Institute for Urban Health – named after the first black player to win the Wimbledon tennis tournament – and the Ronald H. Brown Foundation, named after the late US commerce secretary.

Mr Chenault, a lawyer and former management consultant, joined American Express as director of strategic planning.

C&W confirms cable arm sale to Global Crossing

By Christopher Price in London and William Lewis in New York

Cable and Wireless yesterday confirmed it is to sell its undersea cable-laying business to Global Crossing of the US for £550m ($885m).

It was the UK telecommunications group's third announcement involving disposals, or potential sales, in as many weeks. It further underlined the strategy of Graham Wallace, the new chief executive, to make fundamental changes to C&W's business.

This latest move takes C&W away from one of the areas it pioneered. It comes weeks after C&W put One-2-One, its jointly-owned cellular phone operator, up for sale, and confirmed its UK cable business was in possible merger talks with cable operator Telewest.

Stephen Petit, C&W director of global businesses, said: "This sale is in line with our increasing focus on the operation of communications networks, in particular data and internet.

"The price represents good value for C&W shareholders, and the cash realised will strengthen our position to invest in the networks and services of the future."

Mr Wallace is understood to want C&W to pull out of businesses in which it has neither influence nor control or that are peripheral to its role as a provider of business communications services.

Global Crossing is building and operating a global fibre-optic telecoms system that uses internet technology for transmission. It will span four continents and be capable of carrying more than half the world's international data and telecoms traffic. Global Crossing will pay £450m in cash and assume £100m in debt for the business, called Global Marine. The deal includes provision for C&W to have access to the facilities of Global Marine for the installation and maintenance of its cables.

Bill Carter, president of Global Crossing, said: "With their credibility and their history, it helps us a lot. It also saves us some money, and there will be a lot of revenue with it also. C&W Marine is a perfect match for us."

He played down the likelihood of Global Crossing making further acquisitions in this area. Mr Carter said "I don't have anything else on the horizon that I know of."

The transaction is expected to be completed within 60 days, and is subject to a number of regulatory approvals.

Greek bank aims to raise $550m

By Karin Hope in Athens

National Bank of Greece, the country's biggest financial group, yesterday launched a Dr170.7bn ($553m) rights issue to strengthen the balance sheet ahead of Greece's probable adoption of the euro in January 2001.

The one-for-10 issue, consisting of 14.8m shares at Dr11,500 per share, will be the largest to date by an Athens-listed company. It will increase NBG's capital base to Dr226bn, marking another stage in its effort to become a European-sized institution. Another 6.5m shares will be offered later this year when the next tranche of a convertible bond issue held by the Greek government and state-controlled pension funds matures.

The rights issue comes as NBG prepares to list on the New York Stock Exchange in June. The listing is aimed at broadening the shareholder base, which is still dominated by Greek state and public-sector organisations. International institutions hold about 20 per cent of NBG's equity, while state-controlled organisations hold about 38 per cent.

The bank expects to reduce the overall state shareholding to about 34 per cent this year.

Proceeds from the rights issue will help finance NBG's expansion in the south Balkans. Officials said the Kosovo crisis had not affected plans to extend a network of branches in Albania, Bulgaria and Romania. These mainly serve Greek companies involved in cross-border business. Earlier this month, NBG began negotiations with Macedonia to acquire a majority stake in Stopanska Banka, the Balkan country's biggest bank.

NBG will also participate in rights issues by its main subsidiaries. National Insurance, the group's insurance arm, also plans to expand in the Balkans. Meanwhile, Atlantic Bank, the New York-based subsidiary that is the biggest of NBG's overseas retail operations, is preparing to extend its network in the US.

BANKING MERGER OF BANCO SANTANDER AND CENTRAL HISPANO HAS CREATED A DOMINANT FORCE IN DOMESTIC SECTOR

Scale helps BSCH to higher earnings

By Tom Burns in Madrid

Spain's newly merged Banco Santander Central Hispano, BSCH, yesterday showed its earnings *muscle by posting* first quarter attributable *income of €368.4m (\$392.1m), a profit that is expected to be one of the largest in the* euro-zone.

The combined income of the two banks, which joined forces in January, was 25.5 per cent up on the profits that Santander and Central Hispano reported separately in the first three months of last year.

The results suggested that *the enlarged bank is building* a commanding position in domestic finance. Last week Banco Bilbao Vizcaya, Spain's second-ranked banking institution and formerly a close rival of Santander, also reported a 25 per cent income increase in the first quarter but its net profits of €231m lagged well behind those posted by BSCH.

The advantages of size were illustrated by BSCH's capital at the end of March *of €16.8bn, 4.4 per cent up on* the combined total of Santander and Central Hispano a year ago and providing, under BIS criteria, a surplus of capital over the required minimum of about €6bn.

The bank said it planned to redeem a number of preferred stock options in dollars and replace them with preferred stock in euros at a lower cost in order to optimise the cost of funds and shareholder returns.

BSCH's bottom line profit was fuelled by a 39.5 per cent *increase in earnings from* core banking and recurring income *items*.

General expenses rose only 1.4 per cent year-on-year and analysts said cost reductions as a result of the merger have still to work their way through into the results.

BSCH has outlined ambitious business targets this year and next that will in part be realised through a reduction of at least 10 per *cent of its cost base. The* reduction will come through branch *closures*, systems savings and redundancies.

It has pledged an annual income growth of 25 per cent, an increase in return on equity (ROE) to 19-20 per cent, a reduction in the non-performing loan ratio to 2 per cent and a cost to income efficiency ratio of 57 per cent.

At the first quarter stage BSCH appeared on track to *meet these targets. ROE* increased year-on-year from 16 per cent to 16.5 per cent, the NPL ratio fell from 2.1 per cent to 1.8 per cent and the efficiency ratio improved from 61.4 per cent to 57.4 per cent.

Ericsson learns to look ahead

The mobile phone company is paying for its failure to plan, writes **Nicholas George**

People want new phones *and they buy Nokia.* Ericsson doesn't have *anything particularly new* available," mumbles a sales*man in a mobile telephone* store in one of Stockholm's more upmarket shopping districts.

Such comments are not new to Ericsson's Sven-Christer Nilsson. After a year as chief executive of the Swedish telecommunications equipment maker, he is having to live with the consequences of what analysts say is the company's failure to read the mobile handset market.

After reporting strong quarterly profits growth for 16 consecutive quarters, it was the quietly spoken Mr Nilsson who had to announce this year that the upward trend had broken in the fourth quarter of 1998.

Last week his task was even bleaker. While rival Nokia *of Finland* reported a near-doubling of profits, *Ericsson had to admit that* its profits had halved. Moreover, the company warned that it did not expect full-year earnings *per share* to reach the same level as in 1998.

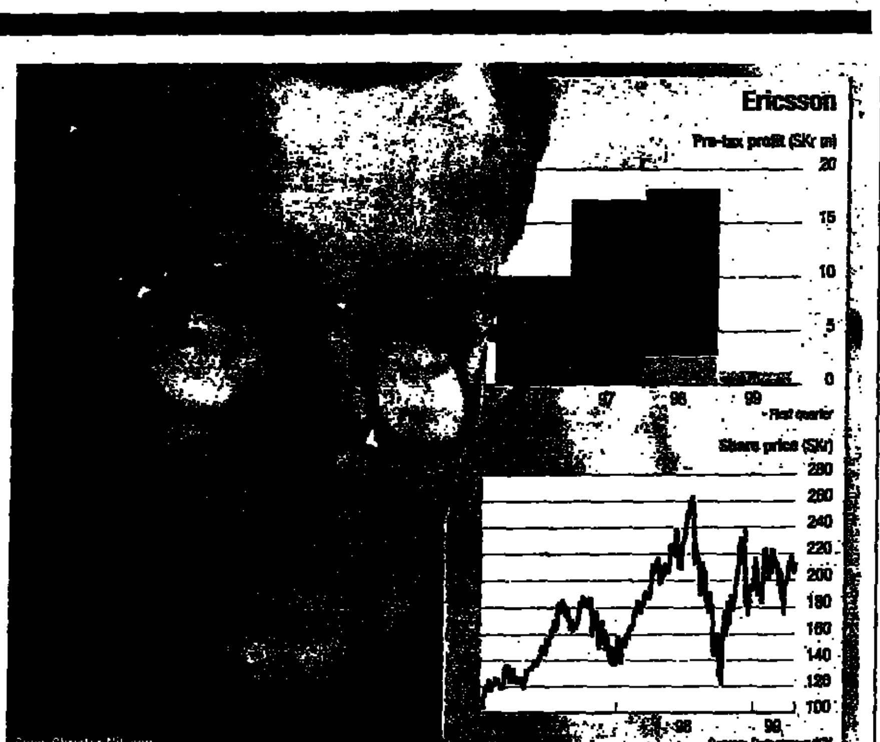
The immediate cause of *the problem was pinpointed* as a drop in sales and profits *of its mobile handset divi*sion. Even though volumes *increased by 37 per cent,* Ericsson products slipped *inexorably down-market* and were unable to extract the premium margins enjoyed by Nokia.

Mr Nilsson says the weak result has been caused by the nature of the mobile phone product life cycle, with an ageing model range sliding down to the middle and lower segment of the market. "To me it is not acceptable to have this result, but at least we know why. There will be shorter product cycles in the future," he said.

Bo Edvardsson, an analyst with Fischer Partners, said: "Primarily he is paying for old sins he took over. The *problem is that Ericsson did* not have the urgency it *needed in the handset business.*"

When the T28 model becomes widely available in *July it will be more than 18* months since the company *had its last important hand*set launch.

Mr Nilsson inherited an *even longer-running problem* with the fixed- line *operations, where the com*pany reported a SKr313m *(\$37.4m) loss in the first* quarter. He said restructuring *was going well with* break-even expected this year, but declining sales in Latin America and Southeast Asia were creating difficulties. Further job cuts on top of the 11,000 already announced are likely.



Sven-Christer Nilsson

Mr Nilsson said the company was in the process of being transformed from primarily a manufacturer relying on its traditional circuit switch business to one based on internet protocol and mobile telephony.

The star in this transition is mobile systems, where the company reported a 47 per cent jump in sales and improved operating margins. For example, in infrastructure for the GSM mobile standard the company now had well over 40 per cent of *the world's market, Mr Nils*son said.

"We are *definitely* increasing our market shares in *infrastructure. We have a* very good position in the US and we *will* increase our market share there in mobile infrastructure, *which is the* basis for the mobile internet."

Ericsson hopes to profit *from telephone operators* needing to upgrade their net*works to cope with the* mobile internet and the mas*sive increase in data traffic* now being generated by the internet's *use*.

Yet even here the company has been criticised for not making the kind of *aggressive* acquisitions of US internet equipment and service companies that its competitors have.

"We do not need to make the mega-merger or acquisi*tion to be credible in this* area," Mr Nilsson said, *emphasising that Ericsson* had the right competence in this field.

He said the recent \$450m *purchase* of Torrent Networking proved that the company would make complementary acquisitions *if a good opportunity arises*.

Mr Nilsson has said 1999 is *not the year for a bumper* harvest, yet investors will *want to see signs that* the new crops are growing strongly.

Gulf widens over Italian banks merger

By Paul Betts in Milan

UniCredito Italiano's proposed merger with Banca Commerciale *Italiana*, its Milan commercial banking rival, yesterday appeared to hang in the balance with BCI's management led by the bank's two joint chief executives favouring the deal and shareholders close to Mediobanca opposing it.

BCI's shareholders meeting tomorrow are expected to provide an important indication on the power struggle inside the bank and on the chances of the merger going ahead.

The shareholders meeting *follows last week's rejection* by Banca di Roma of a share *exchange merger bid from* San Paolo-IMI, the Turin based bank which announced last month its *offer simultaneously with* UniCredito's merger offer for BCI.

The two proposed mergers, if successful, would have reshaped the Italian banking industry. However, *the Bank* of Italy and Mediobanca, the Milan investment bank, have opposed the deals and had campaigned for an alternative merger of Banca di Roma and BCL.

Mediobanca has become concerned at seeing its influence and independence undermined by these consolidations. Enrico Cuccia, its veteran honorary chairman, and Vincenzo Maranghi, its chief executive, have been lobbying both in Rome and among their traditional allies to stop the two mergers.

Antonio Fazio, governor of the Bank of Italy, last week expressed *strong misgivings* over the proposed merger between Banca di *Roma* and San Paolo-IMI and said he opposed hostile *acquisitions* in the banking sector.

While Banca di Roma considered the San Paolo-IMI proposal hostile and "unacceptable", BCI's management appears to favour the link with UniCredito to create an enlarged banking group with total assets of more than L500,000bn (€258bn, \$275bn).

The UniCredito and BCI proposed merger has also received approval from the banking and analyst community. In a study published *last week* J.P. Morgan said the merger "makes a lot of *sense" and there was* " a close strategic fit between the two *banks*".

UniCredito has also assured Mediobanca it had no designs on the investment bank which would be 17.6 per cent owned by the merged group since UniCredito and BCI each own 8.8 per cent of Mediobanca.

However, Mediobanca, which owns 12 per cent of Assicurazioni Generali, Italy's largest insurer and a core BCI shareholder, has continued to seek to stop the merger. There were suggestions yesterday its allies on the BCI board might try to unseat BCI's chief executives because of their support for the UniCredito link-up.

Snuff instead of puff boosts Swedish Match

By Nicholas George in Stockholm

Rapid growth in moist snuff *sales in the US has boosted* first-quarter profits for *Swedish Match*, the *tobacco* products group, as smokers try to find smokeless alternatives to cigarettes.

The sale of moist snuff has been banned in the European Union except for Sweden since 1992. The snuff is placed between the top lip and gum and sucked. Swedes consume more than 150m tins a year and about 15 per cent of the population are regular users.

The product has become more popular as restrictions on smoking have increased. Sales have also been helped by the development of a more-user friendly *system* for consumption with individual portions being prepacked in perforated paper *pouches*. Traditionally the loose snuff is pinched into a *ball between thumb and* forefinger before being *inserted in the mouth*.

At Stockholm's main subway *station special spittoons* have been installed to encourage users, 10 per cent of whom are women, not to spit their snuff on *the floor*.

Each tin carries a health warning that the product causes cancer. However, Swedish Match is campaign*ing to have this removed* because it says there is no *evidence that this is the* case.

In the US about 800m tins are consumed a year with the market growing at 2-3 per cent a year. In the three months to March 31, Swedish Match's US sales rose by 58 per cent and the company now takes a 6 per cent share of the expanding market.

The company's worldwide snuff sales rose to SKr376m (\$45m) from SKr295m with an operating profit in the division up to SKr193m.

Total company sales, which include cigarettes, cigars, chewing and pipe tobacco as well as lighters and matches, rose to SKr2.12bn with a first quarter pre-tax profit of SKr429m – up from SKr341m.

"One reason for the *increase of moist snuff in the* US is that for people who *want to stop smoking it is a* good substitute as they still *get the tobacco taste," said* Sven Hendrikes, chief finan*cial officer* at Swedish Match. He said the company *would continue its strategy* of expanding in smokeless products and brown *tobacco* products such as cigars and pipe *tobacco*.

Decaux buys Havas outdoor arm

By David Owen in Paris

Havas, the French publishing and multimedia company owned by Vivendi, the acquisitive utilities and communications conglomerate, said yesterday it was selling *its outdoor advertis*ing operations to JC Decaux, a *privately owned French* advertising and urban prop*erty specialist*.

The sales price, after an *auction process*, was set at just over FFr6bn (€915m, US\$974m) including debt, equivalent to 1.8 times 1998 revenues.

Decaux said the deal would make it the world number one in outdoor advertising. The combined group would have 1999 turnover of about FFr8bn and employ around 6,300 people.

Jean-Claude Decaux, chairman, said he believed in the strengthening of the billboard medium during a proliferation of TV channels *and the internet explosion,* which fragmented the audi*ence of consumers at home.*

The transaction, subject to *consultations* with employee representatives, will generate a consolidated capital gain after tax for Vivendi of just over FFr2bn.

Eric Licoys, managing director of Vivendi and chief executive of Havas, said the deal offered "excellent guarantees for the long-term future of HMC Outdoor Advertising's business activities".

Outdoor advertising activities at Havas generated sales *of FFr3.4bn in 1998*, with companies including Avenir, *Europe's leading billboard* specialist, with 100,000 *display sites in nine countries*, HMC Transports, a specialist *in transport advertising*, and Claude Publicité, a specialist *in luminous displays*, with 200 sites in 16 countries.

Plans to sell the outdoor advertising business had been announced earlier as part of a drive to sharpen the Havas group's focus on its core publishing and multimedia activities.

Vivendi is believed to have received five offers, with one person close to the bidding last week identifying Decaux and Outdoor Systems International of the US as favour*ites. It is understood that* bids were also made by CBS, *the US network which owns* TDI, Clear Channel, the US *radio and advertising* company, and Texas Pacific, the US venture capital group.

Havas emphasised yester*day that* its 30 per cent interest in Havas Advertising was not for sale.

FDA backs Roche obesity drug

By William Hall in Zurich

Roche, Switzerland's second biggest pharmaceutical company, has finally won US Food and Drug Administration approval to sell Xenical (Orlistat), a new type of anti-obesity drug, which many analysts believe will revolu*tionise Roche's fortunes*.

The FDA has approved a "clean label" *for the new* drug which significantly *increases Roche's chances of* success in a market where over 58m people *suffer* from obesity and spend \$30bn a year on weight loss products.

Roche's *non-voting* shares jumped over 4 per cent, to *SFr17,850 yesterday follow*ing news of the FDA approval.

Roche's US breakthrough with Xenical follows a series of delays in its US launch, because of concerns about increased risk of breast cancer, and problems with other potential "blockbuster" drugs.

Last year Roche had to withdraw Posicor, a heart *drug, after detecting harmful* side effects, and the *European Union and Canada* suspended the use of Tasmar, *a drug for treating Par*kinsons disease. Both drugs had been labelled as potential "blockbuster" drugs by analysts.

Roche's sales, which had been growing more slowly than the industry average over the last few years, have started to accelerate recently and the group's ability to maintain faster than average growth rests heavily on the success of Xenical.

Michael Sjöström, of Geneva's Banque Pictet, believes that Xenical will achieve *annual sales of around* SFr2.5bn in two to three *years' time, and Roche* should be able to achieve *sales growth of 12 per cent to* 13 per cent in the current *year, or nearly twice as fast* as arch rival Novartis.

Mr Sjöström said the big unknown remained the drop-out rates by patients who did not have the self-discipline to continue *taking* a pill three times daily at an expected cost of around \$100 a month.

Over 1m people have taken Xenical to date, and with US approval it will be on sale in 18 countries.

Xenical is the first of a new class of drugs known as fat blockers which act *through the gastro-intestinal* chain, rather than brain *chemistry. It can cut the* absorption of dietary fat by *around a third*.

Patrick Zenner, chief exec*utive of Roche's US affiliate,* said that Xenical will provide "significant benefit to millions of obese Americans" in a country where obesity was escalating at "epidemic rates".

WestAM moves into US with Criterion purchase

By Clay Harris, Banking Correspondent

Germany's WestLB Asset *Management has made its* first move into the US market, buying a Houston-based fixed income business with \$9bn under management.

The addition of Criterion *Investment Management*, which has been part of Nicholas-Applegate Capital Management since 1995, will increase WestAM's funds under management to \$35bn.

Luke Nunneley, WestAM's global head of marketing, said that *Criterion* was an important acquisition *because it added expertise in* US fixed income products and credit analysis techniques, which were transferable into the European market.

WestAM, the institutional investment arm of *Westdeutsche Landesbank*, had identified US bonds, US equities and global equities and asset allocation as areas in which it was likely to add product expertise through acquisition, he said.

*It aimed to conclude fur*ther deals before the end of 1999.

By contrast, it was likely to build a global bonds business in the same way that it was creating a Japanese bonds and equity operation from scratch after buying *the investment* licence of Takugin-Hokkaido Bank last year.

After selling Criterion, Nicholas-Applegate, a San Diego-based investment manager, will have \$22bn under management.

It said that the disposal completed a strategic *restructuring* intended to focus on areas in which it had a clear competitive advantage. The price was not disclosed.

Criterion, whose US institutional clients include pen*sion* funds and union pension plans, will remain as a *stand-alone* operation in Houston employing 54 people.

The deal will diversify WestAM's client base, of which German institutions now account for 85 per cent *of funds* under management.

But expanding the product *range carried a more imme*diate priority than broadening the *client* list, Mr Nunneley said.

NEWS DIGEST

TECHNOLOGY

Software AG makes a subdued Frankfurt debut

Shares in Software AG, Europe's largest systems software maker, made a subdued debut on the Frankfurt stock exchange yesterday, closing at €30, the same price as the company's initial public offering. Institutional investors in Europe and the US subscribed for more than 14.5m Software AG shares, making it one of the largest IPOs of a software company, with an offer size of €436m (\$464m).

However, the price was at the bottom end of the book-building range of €30-37. Industry analysts said this reflected intense competition for funds among the more than 40 German companies that have issued IPOs this year, as well as market concern that some newly quoted *software and technology enterprises may be running into* difficult trading conditions. Germany's third largest tele*communications group, Debitel, launched itself on the* stock exchange last month with an initial price of €31, but *it closed yesterday at €27.30.*

Software AG acknowledged that it faced "challenging and volatile market sentiment, *especially in the software* sector", but said it was well-placed to take advantage of opportunities thrown up by the growth of the internet and electronic business. The company turned in solid results for the first three months of this year, reporting a 13.2 per cent increase in revenues to DM157.5m (€80.5m, \$85.7m). Pre-tax profit rose by 55.5 per cent to DM21.3bn. About 56 per cent of Software AG's shares are now held by public investors, with the rest in the hands of a charitable trust set up seven years ago by the company's founder, Peter Schnell. **Tony Barber, Frankfurt**

SWEDEN

Bank reduces loan losses

Shares in Svenska Handelsbanken, Sweden's largest bank, *rose over 7 per cent yesterday after profits came out* well above analysts' expectations. Supported by increased *commissions and lower loan losses, the bank's* operating profit in the three months to March 31 was SKr2.17bn *(\$260m), against SKr2.28bn a year earlier.*

The bank said its share of the mutual funds market had *increased to 10 per cent and its share of new savings rose* to 14.4 per cent from 10.2 per cent. Net commission *income rose 11 per cent to SKr868m with loan losses* down to SKr25m. Handelsbanken's most commonly traded *A shares closed up SKr23 at SKr332.50.*
Nicholas George, Stockholm

AUSTRIA

Fee income lifts Erste Bank

Erste Bank, Austria's second largest bank, yesterday reported a 3.9 per cent advance in first-quarter net operating income to Sch1.18bn (€86m, \$91m), as rising commission and fee income helped to offset a fall in net profit from trading activities. Reinhard Ortner, *chief financial officer*, said the bank expected restructuring to continue in *Austria's savings banks sector, of which Erste* is the central institution.

Erste recently exchanged its branches in Upper Austria for a bigger stake – up from 2 per cent to 26 per cent – and pre-emptive rights in the province's Linz-based savings bank. It was likely to follow this with a similar deal, involving only pre-emptive rights, with the savings bank in Styria. Such deals not only extended Erste's *effective market share*, but defended against incursions such as the stake taken recently by *Germany's Bayerische Landesbank* in the Tyrol savings bank. **Clay Harris, London**

POLAND

BRE targets slice of Big Bank

Poland's Big Bank Gdanski *shares rose* by 9.9 per cent yesterday after BRE, another listed local bank, announced *it had applied to the central bank for permission to raise* its existing 9.99 per cent stake in Big to 24.99 per cent. *The move by BRE*, which has Commerzbank as its strategic investor, comes after Deutsche Bank announced recently it had bought 9.99 per cent of Big on the Warsaw Stock Exchange. **Christopher Bobinski, Warsaw**

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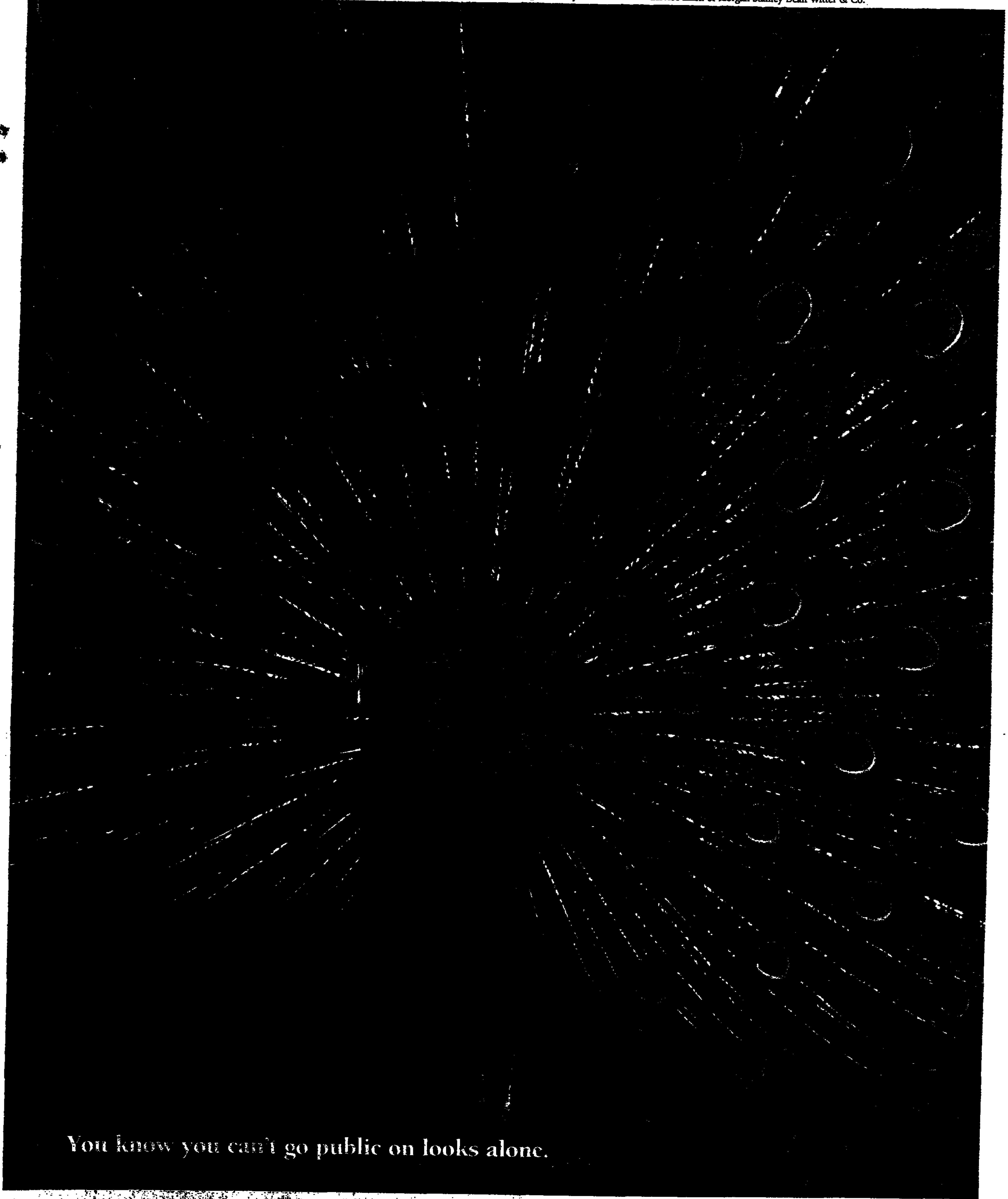
Gulf widens over Italian banks merg

Software AG makes ... Frankfurt de

Bank reduces loan losse



The markets look for more than meets the eye.

Which makes it difficult for them to see companies — and whole industries like yours — that are new, unfamiliar, hard to evaluate or not recognised as traditional investments.

You need to get them to see things in the right context.

That's why you chose a firm that's been here before. A firm with credibility among global institutions, a formidable retail arm and a reputation for creating the right investor base.

Right now they're preparing the global markets for your stock offering. Putting monetary values on things that defy conventional valuation. Selecting the right exchange on which to list your stock. Finding the right investors — across Europe and the world — to give you balanced global distribution. And making sure that markets everywhere understand your company's true value and potential.

There's more to do, but you're sure it will be done — and done right — by this team of people who bring you all the disciplines you need, plus one powerful belief.

Anything is possible.

MORGAN STANLEY DEAN WITTER

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Montreal Moscow Mumbai New York Paris São Paulo Seoul Shanghai Singapore Sydney Taipei Tokyo Toronto Zurich

HK internet stocks rise as Chinese unit eyes Nasdaq listing

By Rahul Jacob in Hong Kong

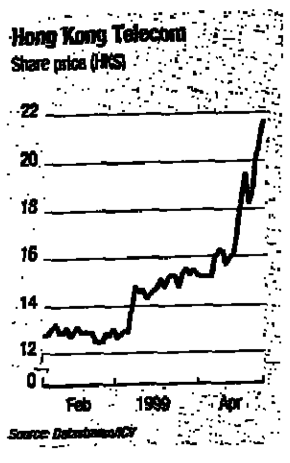
Hong Kong's affair with internet stocks hit a new high yesterday, sending New World Infrastructure up 13.5 per cent on rumours that an internet associate of the company in China would list a unit on Nasdaq.

The stock shot up on reports, later confirmed by New World Infrastructure, that its affiliate China Internet, planned to list a division of the company, China.com, on Nasdaq in the next couple of months.

New World Infrastructure, which has a 12 per cent stake in China Internet, is the latest beneficiary of a buying binge that has seen prices of telecom companies like Hongkong Telecommunications, City Telecom and SmarTone soar in the past few weeks.

The sector has also been buoyed by a flood of funds coming into Hong Kong from institutional investors rushing to buy into the spectacular rebound in Asia's markets.

"This is an internet craze that happens to be the latest theme as people look for an excuse to buy stocks," said Carlton Poon, director of



Source: Datastream/ICV

Worldsec International, a local brokerage.

Hong Kong's stock market has been swept up in a Wall Street-style obsession with internet related stocks since early March when Bill Gates announced on a visit to the city that Microsoft would use Hongkong Telecom's high-speed broadband telephone networks to deliver a range of new applications, including renting software on a one-off basis and downloading films, to computer users in Hong Kong.

Earlier this month, SmarTone, Hong Kong's third biggest mobile phone operator, saw its shares rally after it announced that Yahoo! would help provide it with content for its websites when it launches its internet service. "This is clearly not driven by the fundamentals. In the case of SmarTone, it hasn't even launched its internet service," said Lloyd Fischer, an analyst with Salomon Smith Barney.

As a bellwether of telecom stocks, Hongkong Telecom has been the most prominent beneficiary, rising almost 60 per cent this year.

Hongkong Telecom's rise has continued despite a backdrop of increasing competition in international calling, which accounts for the largest share of its profits, and shrinking margins in the territory's mobile telephone business. Analysts said that the market's expectations of future profitability of the company's money-losing multimedia division were wildly over-optimistic.

The company is expected to report lower profits for the year ended March 31 1999 at the end of this week.

"Hongkong Telecom is showing the delayed effect of competition. This isn't a recovery story," said Dylan Tinker, an analyst with Jardine Fleming.

Secretive giant finds that stripping is an asset

Siam Cement, Thailand's biggest manufacturing conglomerate, is embracing transparency, writes **William Barnes**

Asian investor values

The president of Siam Cement, Chumpol Nalamlieng, claims now to be "walking naked" in Thailand's new post-crash corporate world. He admits that this is a remarkable step for Thailand's biggest manufacturing conglomerate.

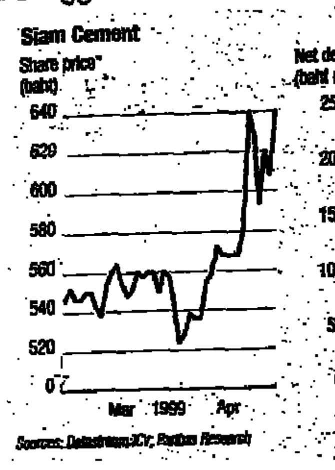
For although, from its conception by royal command in 1913, Siam Cement has been a professionally managed blue chip, it has been known to be rather secretive.

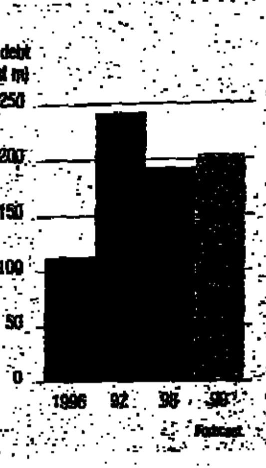
Mr Chumpol now claims they never realised that transparency or what he describes as "taking off your clothes" would be so appreciated by the rest of the world.

"We always thought being honest and having ethics was enough."

He admits the company avoided seeing analysts because "if you see one you have to see them all" and they did not want to waste management time. "To be very frank we were not convinced it was in the best interests of shareholders," he says.

But priorities have changed: transparency has become flavour of the year. Instead of declining to see brokers and journalists, such





Sources: Datastream/ICV; Paribas Research

Chumpol Nalamlieng president

* Foreign board shares

meetings now take up 10-20 per cent of Mr Chumpol's day.

"We get critical feedback from investors, analysts and the press. In this crisis it is valuable to get a critical look at ourselves. Restructuring is painful – it is important to know if we are doing it right," he says.

For several weeks after the baht was devalued against the dollar in 1997, the management thought the damage to Thailand and Siam Cement might be limited. However, the big shock came when the financial crisis hit Korea. "We really knew then we were facing a new reality," Mr Chumpol says.

Siam Cement, saddled with $4.2bn in unhedged foreign debt and facing a surge in ferocious global competition, was forced to examine critically a sprawling empire that had promiscuously entered scores of joint ventures, mostly with foreign partners, during the boom years.

With advice from McKinsey Consulting, it decided to focus on its core businesses of pulp and paper, petrochemicals and cement. Everything else – from auto parts to steel – has been put up for sale if the management cannot convince itself it can offer "world class" expertise in that field.

The company also quickly realised that it would need to communicate more with investors. Last year it was taken on an international road show by Goldman Sachs. "It's amazing. They've moved light years in investor relations," says Peggy Creveling, head of research at Paribas Research in Bangkok. "They get back to you with answers, their website is stuffed with information and you get bombarded with Siam Cement notices if you leave them your e-mail address."

Siam Cement has publicly revealed for the first time a rate-of-return target: by the year 2002, the group wants earnings before interest, tax, depreciation and amortisation (ebitda) to reach 20 per cent of operating assets. The target this year is for a 15 per cent return.

A strong share price and heavy local interest in a recent Bt14bn bond issue reflects the positive view most investors have of the changes.

Nevertheless, analysts, who have yet to see a big asset sale, want to see more than just words.

"Management mentality has improved dramatically and they are much more focused on the bottom line. But we haven't seen them deliver yet," said ING Barings' senior investment analyst, Paworamon Suvarnatamee.

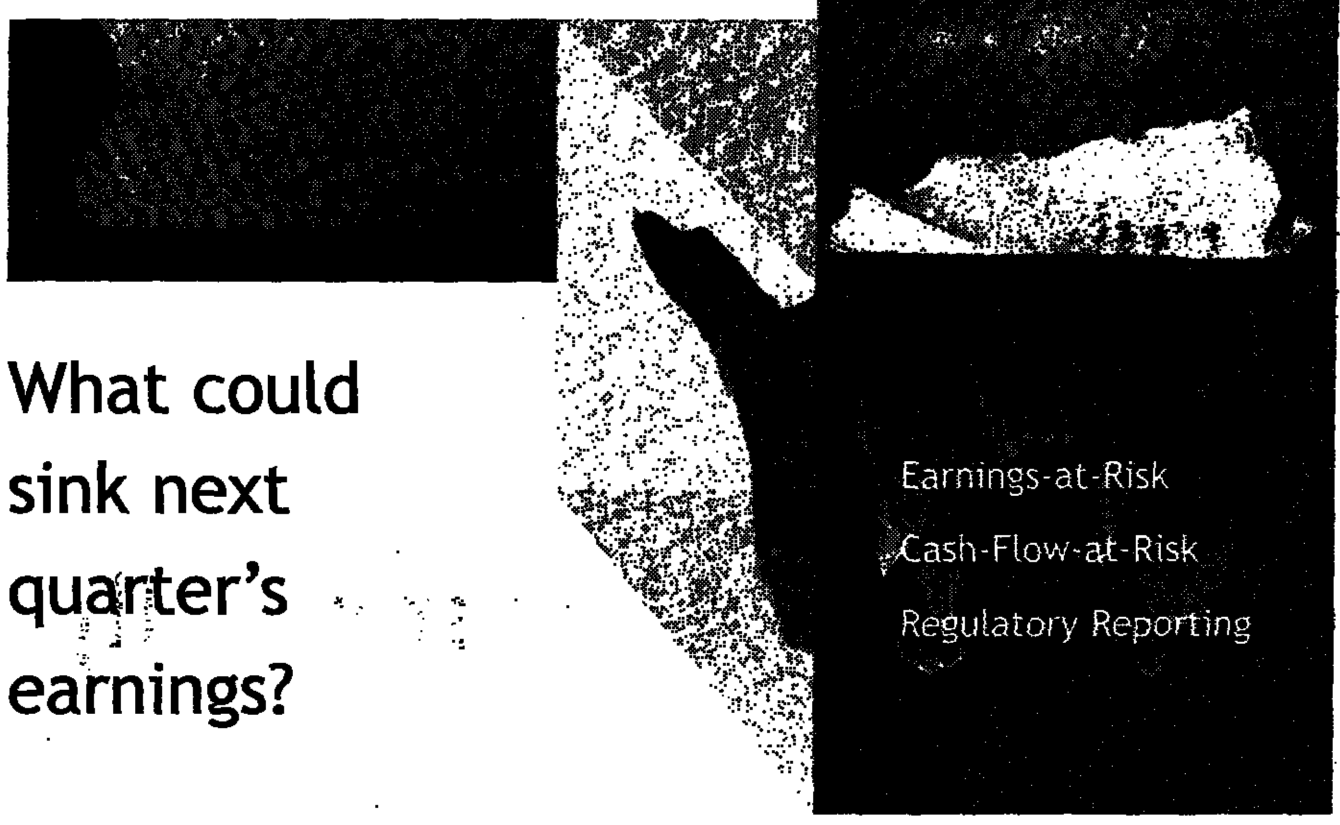
Another analyst at a foreign brokerage said restructuring progress had affected only 10 out of 59 non-core businesses, and Siam Cement appeared to be rejigging its portfolio rather than engaging in radical surgery.

"Things are going very, very slowly. It looks good in writing but any operation this dramatic in Thailand tends to take a long time," he said.

During Thailand's boom years, the company's management thought it was being prudent by rejecting investors' calls for it to jump into "hot" sectors such as telecommunications and real estate, says Mr Chumpol.

Clearly, having opened itself up to public view, this Thai giant can expect to have to defend itself against much tougher criticism from investors over the next few years.

This article is the second in a series on Asian companies which have embraced investor values. The previous article appeared on April 22.



Bakrie claims creditors agree to equity swap

By our International Staff

Bakrie & Brothers, Indonesia's diversified conglomerate which is negotiating a restructuring plan with its creditors, said yesterday its foreign lenders had agreed to push ahead with a plan to swap over $1bn in debts for equity.

Bakrie announced that creditors holding just over 50 per cent of its debt "voted in principle for the idea" of a debt for equity swap. About a third of creditors did not take part in the meeting.

Bakrie said its shareholders would vote soon on the proposal, which would then be put to the creditors for a final vote. Talks have already been going on for 16 months.

Bakrie's creditors, like lenders to other beleaguered Indonesian companies, are resigned to getting back only a small portion of the value of their loans.

Analysts are wary about Bakrie's announcement, noting that the company claimed an almost identical agreement in January. Foreign banks said at that time that far from approving the plan, they had only agreed to discuss it.

"Bakrie have not dealt with their bankers with a lot of good faith in the past and I don't think the bankers are going to let them off easily," said one analyst in Jakarta.

Bakrie's plan is to set up a special purpose vehicle which would own 80 per cent of its holdings in five subsidiaries. It would also issue new shares in Bakrie & Brothers, giving the foreign creditors a 30 per cent stake.

This would dilute the stake of the Bakrie family, which has been close to both former president Suharto and current president B. J. Habibie, to below 50 per cent.

The five Bakrie shareholdings to be moved into the special purpose vehicle are 52.4 per cent of Bakrie Sumatra Plantations, 70 per cent of Bakrie Electronics Company, 20 per cent of coal mining joint-venture Arutmin Indonesia, 25.49 per cent of Bakrie Kasei Corporation, and 2.2 per cent of Iridium LLC, a US satellite phone company.

ICICI hit by higher provision against bad debt

By Krishna Guha in Bombay

ICICI, India's second biggest financial institution, yesterday announced a fall in profits, caused by tougher accounting for provisions against bad debts.

Net profits for the year to March 31 fell 7 per cent from Rs10.8bn to Rs10bn ($234m). Provisions against bad loans and equity investments rose over 60 per cent to Rs4.7bn.

This included a Rs1.3bn charge which would have been routed directly to the balance sheet under the lender's old accounting policies. ICICI said its gross non-performing assets increased 30 per cent to Rs54.8bn at the year end – with a rash of defaults from chemical producers.

Net of provisions, the figure stood at Rs36.2bn. Notwithstanding a strong rise in business volumes, the proportion of net non-performing assets rose slightly from 7.6 per cent to 7.8 per cent.

"It was a difficult year for the system," said K. V. Kamath, managing director. He said profits were up 21 per cent on a like-for-like basis, excluding extraordinary profits the previous year. Mr Kamath said the tougher accounting regime would address investors' concerns about the quality of reporting in the Indian financial sector.

ICICI also published accounts reconciled to US accounting principles for the first time. This showed a much steeper fall in profits, from Rs9.3bn to Rs7.45bn. "I am pleased that the US GAAP numbers are in the ball-park of 75 per cent of the Indian numbers," Mr Kamath said. "That is better than I had expected."

Mr Kamath promised further efforts to bring bad debts under control. ICICI's new special asset management group forced settlements worth Rs3.8bn with defaulting borrowers last year, up from Rs3bn.

The bank continued to diversify away from its troubled project loans to industry business at an aggressive pace. "Our portfolio was heavily weighted in favour of project-based loans of five to seven years," said Mr Kamath. "We need to reduce concentration risk."

Manufacturing projects, which accounted for 60 per cent of new loan approvals in 1996-7, made up only 19 per cent of approvals last year. Such loans now account for 49 per cent of ICICI's total book, down from 69 per cent two years ago.

By contrast, ICICI has increased its exposure to infrastructure, oil and gas, and corporate finance.

It is now stepping up efforts to build a retail loan business.

ASX and SFE set to announce merger

By Gwen Robinson in Sydney

The Australian Stock Exchange (ASX), which demutualised last year and listed on its own boards, yesterday requested a suspension of trading in its shares ahead of an announcement tomorrow, expected to confirm the agreement between the ASX and the Sydney Futures Exchange (SFE) on a proposed merger.

The SFE, which overtook Tokyo last year to become the Asia-Pacific region's largest futures exchange, operates under a mutual structure. Under the merger proposal, the SFE would be absorbed by ASX.

The deal would considerably strengthen the drive by both exchanges to attract more offshore investment. Analysts said confirmation of the merger would further boost ASX's shares, which have more than tripled in value since listing in October 1998. The shares listed at A$4.10 on October 14. In early trading yesterday, ASX shares fell 10 cents to A$13.25 before the trading halt.

The ASX announced last December it was in discussions with the SFE about a possible merger. An initial agreement between the two exchanges would pave the way for a lengthy approval process for the proposed merger. It would require regulatory and parliamentary approval, as well as support of the SFE's four classes of membership.

In its first earnings report since listing, ASX said last month that record trading levels and the market's strength helped nearly double interim net profit from prospectus forecasts to A$23.4m ($15.3m) in the six months to December. Total market capitalisation has soared to about A$600bn from A$422bn two years ago.

The SFE also had a record year, trading 30m futures contracts with a nominal value of A$10,500bn. In October, SFE will abolish its traditional open-outcry pit-trading system and switch to a fully automated screen-based system. It also plans to launch a new range of indices next month, the Asia Pacific Extra Liquid Series, developed in a joint venture with Dow Jones Indexes.

Richard Humphry, ASX managing director, and Les Hosking, SFE's chief executive, said last month they hoped the merger could be completed within one year. They did not expect regulatory problems or opposition from SFE membership. They added there was virtually no overlap in basic activities.

At the same time, the merger would provide strong cost benefits in operational aspects such as technology, settlement systems and staffing. It would also help broaden the range of investment activity for both SFE and ASX.

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STEEL MEXICAN PRODUCER APPOINTS NEW CHIEF EXECUTIVE

Ahmsa to restructure after default on debt

By Henry Tricks in Mexico City

Ahmsa, Mexico's largest steel producer, yesterday announced it had defaulted on part of its $1.8bn debt, making it the second Latin American steel giant this year to be forced into a restructuring due to weak prices and high leverage.

Shares in Ahmsa fell more than 14 per cent to 5.96 pesos in early trading.

Ahmsa said it had appointed a new chief executive, José Domene Zambrano, to lead the troubled company through the restructuring. He was the former head of the international division of Cemex, Mexico's cement multinational.

His predecessor, Alonso Ancira, one of Ahmsa's two controlling shareholders, stepped down to focus on the search for a strategic partner.

Ahmsa said it had missed a $39m payment, due on April 16, under a $330m loan. It said it had engaged the Blackstone Group to help with the proposed restructuring. The decision to halt debt payments followed almost a year of cost-cutting by Ahmsa. This included the lay-off of at least 3,000 staff and the sale of key assets.

But like Sidor, the indebted Venezuelan steel company that missed a debt payment in March, it was unable to ride out the prolonged period of low global prices following the Asia crisis.

This month, Ahmsa announced it had engaged J.P. Morgan to help it search for a strategic partner, and yesterday it said there were three interested parties, including leading regional and European steel producers.

Analysts expected potential partners to be Mexican steel producers anxious to defend market share from the encroachment of powerful foreigners, or European companies that already have a toehold in Latin America.

They said a partnership would be crucial to the debt restructuring, because proceeds from the sale of individual assets were proving insufficient to tide the company over. Yesterday, Ahmsa said it was scrapping the sale of its oxygen plants, which had been intended to generate funds to pay down debt.

"Any partner will have to have deep pockets," said John McCormack, head of corporate research at the Weston Group, which specialises in distressed companies.

A recent rebound in steel prices could make Ahmsa a more tempting proposition, however.

"This is a good time for acquisitions because steel valuations are attractive," argued Mauricio Reveco, a steel analyst at Salomon Smith Barney.

First Union to purchase brokerage

By Tracy Corrigan in New York and Nikki Tait in Chicago

First Union, the acquisitive US commercial bank, yesterday announced it had agreed to buy Everen Securities, a Chicago-based brokerage, for $1.1bn. It is the latest in a spate of acquisitions of regional brokerages, as US banks expand their asset-gathering capabilities.

"This is an excellent partnership that gives First Union a nationwide securities business" by adding Everen's markets west of the Mississippi, said Ken Thompson, First Union vice-chairman.

First Union shares slid $1¾ to $53¾ following the announcement, while Everen rose $4⅛ to $28⅛.

The addition of Everen's 1,800 brokers will bring the combined total of registered representatives to 6,259 – the nation's sixth largest securities brokerage. A year ago, First Union bought Wheat First Securities, a brokerage mainly serving the east coast. A month ago, First Union and Everen agreed a joint venture in asset management.

Everen will also add critical mass to First Union's investment banking, trading, sales and research capabilities, as well as its mutual funds business, analysts said.

"It should be a very nice fit, more than doubling [First Union's] retail stockbroker network," said Peter Kuper, banking analyst at Keefe Bruyette & Woods, the US brokerage. He added that First Union had a "proven ability" to integrate this type of business, following its successful Wheat First deal. Analysts have been less happy about progress in integrating First Union's massive commercial banking acquisition, CoreStates of Philadelphia, in 1997.

First Union said it expected cost savings of $65m-$68m next year, and about $75m annually after that. It expected the deal, due to be completed in the third quarter, would be accretive to earnings in 2000.

The $1.1bn deal values Everen at 2½ times book value, lower than the peak valuations of about four times books for regional brokerages seen a year ago.

The deal has a fixed exchange rate of 0.555 First Union shares per Everen share, valuing each at $30.53, based on First Union's closing price on Friday of $55. The bank will establish an employee retention pool of about $87m in restricted shares to be issued over a three-year period to a number of Everen employees.

The bank said it would take a pre-tax charge of $55m-$60m in its third and fourth quarters in relation to the acquisition, and issue 19.4m shares to pay for it.

Everen started life as a network of regional brokerage firms acquired by its former parent company, the Kemper insurance business, during the 1980s. But the division – renamed Everen – was spun off in 1995, initially to employees, but then making a stockmarket debut in 1996. It is still 60 per cent owned by staff.

Bankers Trust profits slide

By Tracy Corrigan in New York

Bankers Trust, the US bank set to be acquired by Deutsche Bank, Germany's largest bank, by the end of June, reported first-quarter earnings of $140m, a 37 per cent slide from $222m in the same period a year ago, but up from $29m in the fourth quarter.

BT's earnings per share of $1.30, down from $2.01 a year ago, beat analysts' estimates of $1.08, according to First Call. But many other US securities businesses reported record or near-record earnings in the first quarter as a result of strong underwriting and heavy trading activity.

Raphael Soifer, securities industry analyst at Brown Brothers Harriman, said that the weaker earnings would not come as a shock to its acquirer. "If there had been no decline at Bankers, it would not have been sold," he said.

The $10bn deal has yet to be approved by US regulators. Approval has been delayed by discussions with Jewish lobby groups on the issue of compensation for Holocaust victims. However, a resolution is expected to be reached soon, allowing the deal to close by the end of the quarter, as planned.

Last year, Bankers Trust suffered big losses due to its exposure to emerging markets and high-yield debt securities, which were severely hit by last year's financial market turmoil. It agreed to sell to Deutsche in November.

In the wake of last year's losses, BT restructured its business in the first quarter, transferring part of its emerging markets group into a restructuring portfolio, formed in the first quarter, which includes loans, securities and derivatives that require "special monitoring", BT said.

"These exposures are virtually all in emerging markets. [BT] intends to continue to reduce exposure in the restructuring portfolio over a reasonable time frame."

As of March 31, BT's cross-border exposure to Asia, Latin America and Russia stood at $4.8bn, down 11 per cent from the end of the fourth quarter and down 61 per cent from a year ago.

"We are gratified by the firm's progress as we prepare for our merger with Deutsche Bank in the current quarter," said Frank Newman, chairman and chief executive officer.

Within BT, investment banking reported net income of $72m, down from $180m the previous year, reflecting lower revenue from corporate finance activities and from private equity investments.

But trading and sales performed better than expected, analysts said, recording net income of $86m, up from $64m a year ago.

However, this was primarily attributable to equity earnings from its investment in Long-Term Capital Management, the hedge fund bailed out by Wall Street firms during last year's market turmoil.

Excluding this gain, trading and sales results declined, the bank said.

Frank Newman: gratified by progress towards merger AP

Small internet groups test IPO market

By John Labate in New York

US internet investors long ago overcame their fears of betting on companies with uncertain earnings prospects. Now slim revenues appear to be less of an obstacle as well, with a flurry of small internet companies lining up to test the initial public offering market.

The shift was noted in a March survey by Renaissance Capital, the research firm and fund manager. The report found that 29 per cent of the 52 internet companies planning an IPO at the time had annual revenues of $1m or less.

According to the same report, while Goldman Sachs and Robertson Stephens continue to dominate the underwriting of internet deals, more companies are being brought to market by smaller, less experienced firms. "Investment banks that have brought less than three deals to market within the last year are managing an unusually high 19 per cent of the internet pipeline," the report states.

For the moment, US IPO investors are little concerned. Last Thursday a Rhode Island-based local exchange and internet service provider, Log On America, became the latest surprise performer, soaring 250 per cent from its $10 offer price to close at $35. The company, which last year generated $760,000 in sales, had the fourth best initial day gain of an IPO so far this year. The company was brought to market by Dirks & Company, a small New York investment bank.

The trend, however, may have serious implications for investor sentiment going forward, as the IPO field runs out of first and secondary movers in key online niches. "It's not so much a question of diminished deal quality as a lack of uniqueness," said David Menlow, president of the IPO Financial Network.

In spite of the disturbing signs, investor sentiment for internet stocks is seen to be still strong for several reasons. All agree a good number of high-profile internet deals remain in the IPO pipeline, including online investing site Thestreet.com and barnesandnoble.com, the online division of Barnes & Noble, the bookseller.

Both are expected in early May. This week alone several innovative competitors are expected to meet strong demand from investors. Mpath Interactive, which operates real-time games aimed at the male audience, is expected to offer 3.9m shares at a price range raised yesterday to between $12 and $14. Another deal expected this week is Marimba, a company distributing software applications over the internet.

Last week's rebound in the hi-tech-weighted Nasdaq composite was another surprising sign of investor resilience. Following the sharp sell-off that sent the Nasdaq composite down more than 5.5 per cent in a single day, buyers got behind internet and other high-tech stocks.

A thinner field of star internet IPOs, however, could yet catch up with investors. Randall Roth, analyst at Renaissance Capital, said: "When the music stops who's going to be left?"

Lear ahead 6.3%

By Nikki Tait in Chicago

The combination of better profits in Europe and the strong North American vehicle market allowed Lear Corporation, one of the largest automotive suppliers, to report a 6.3 per cent improvement in first-quarter earnings to $50.3m after tax.

Sales were up from just over $2bn to $2.69bn, with about a third of the increase coming from outside the US and Canada.

Sales in Europe rose 37 per cent, and in North America by 36 per cent.

The problems in South America, however, led to a decline in sales there from $182m to $168m.

Earnings per share, meanwhile, rose from 69 cents to 75 cents, comfortably above the average estimate of around 72 cents.

The company, which has been acquisition-minded and recently bought UT Automotive business for $3bn, also remained bullish about the remainder of 1999, saying it was "shaping up to be another outstanding year".

On a revenue basis, Lear – which specialises in vehicle interiors – is reckoned to be the third largest independent parts supplier (excluding Delphi Automotive, which is currently being spun off from General Motors).

Ford heads for the scrapyard

By Nikki Tait

Never mind the gleaming showroom models and dazzling carshow displays. Ford Motor Company is heading to the scrapyard.

As part of its drive to become a broadly-focused automotive products and services supplier, the US car and truck manufacturer announced yesterday that it planned to get into the automotive "recycling" business, claiming that this could become a $1bn-plus business for the group.

The company said it had already bought one recycling operation in Tampa, Florida, and planned to "expand its presence substantially" in the coming months. Jacques Nasser, Ford chief executive, said he could envisage the business offering Ford annual revenues of $1bn-plus.

The Tampa facility – and others like it – will be used to break up cars and trucks for parts, and also to collate parts from Ford plants themselves for re-use. These will then be made available to professional outlets, such as bodyshops or insurance companies, and to retail customers.

Ford claimed to have three reasons for getting into the secondhand parts business. It pointed out that the sector is growing and is a "healthy business proposition".

It also argues that this diversification should give Ford an additional means of keeping in touch with customers after having sold a new car or truck. This has been a key element of the "customer-focused strategy" outlined by Mr Nasser since taking over as chief executive as the beginning of 1999.

Finally, the carmaker is using the plan to boost its environmental credentials, claiming it will help cut back the amount of car or truck-related scrap that ends up in landfills.

"To keep materials out of landfills and to make parts more readily available makes sense for the environment," said Martin Saffer, acting chief executive of the new venture. Pressures on the automotive industry to present a "clean, green" image have been mounting.

METALS COUNTRY'S LARGEST SMELTER TO BE SOLD

Venezuela to revamp aluminium industry

By Raymond Colitt in Caracas

The Corporación Venezolana de Guayana, the state industrial holding company, yesterday revealed an aggressive agenda to revive its troubled aluminium industry by offering parts for sale and parts for strategic associations.

The CVG hopes to sell the assets of Venalum, the country's largest smelter, within less than a year for just over $1bn, Clemente Scotto, president of the CVG, said in an interview.

The CVG was inclined to sell Venalum's "assets in operation". With the proceeds the CVG would then settle Venalum's environmental and labour liabilities.

Last year three attempts to sell the entire aluminium complex, accounting for about 4 per cent of world production, failed because of its excessive liabilities, a fall in aluminium prices, and its high price tag. Now, said Mr Scotto, the strategy was different.

Venalum, which has a production capacity of 450,000 tonnes a year of primary aluminium, had a solid operation and adequate technology, Mr Scotto said. Despite its $150m debt, "Venalum offers the best value within the complex".

Venalum, which largely exports its products, is to be sold as one block to foreign investors. However, blocks of assets of Alcasa, another smelter, are likely to be used to form joint ventures with domestic processors, workers, and foreign investors, to supply the domestic market.

At 170,000 tonnes a year, Alcasa is producing far below its capacity of 240,000 tonnes. Production lines 1 and 2, shut down late last year due to their environmental and operational cost, would be offered as one block. Their recovery would require an investment of about $70m, Mr Scotto said.

Three other blocks of assets would be Alcasa's port, its production lines 3 and 4 with a capacity of 170,000 tonnes a year, as well as the machinery to assemble a new production line.

Finally, Mr Scotto said the CVG was considering preliminary proposals by foreign investors, including Alcoa of the US, Billiton of the UK, and France's Pechiney to partner the CVG mining company Bauxilum.

In exchange for a 50 per cent share, the foreign investors could double production to 1.6m tonnes a year of alumina and some 10m tonnes of bauxite.

● Separately, Mr Scotto said the CVG was committed to help bail out Sidor, the troubled steel producer, along with its other shareholders who have pledged to inject $140m of capital.

It is likely the CVG will propose to Thursday's meeting of Sidor shareholders that $48m of debt Sidor owes to Edelca and Ferrominera, the CVG's power and iron ore suppliers respectively, be capitalised.

HP, BroadVision in internet link

By Louise Kehoe in San Francisco

A new generation of internet portals, geared to specific companies or markets, is at the centre of a new alliance announced yesterday by Hewlett-Packard, the computer group, and BroadVision, a leader in personalisation software.

"Companies pursuing e-commerce are increasingly dissatisfied with being represented by just an icon on a general purpose portal website," said Nigel Ball, general manager of HP's e-services division. He predicted a second generation of "business portals" that enable companies to create direct relationships with their customers.

Under the terms of the alliance, HP and BroadVision will jointly develop and brand a new generation of e-commerce and knowledge-management software for business portals.

The new products, expected early next year, would enable businesses quickly to deploy advanced features such as personalised web pages, which adapt to the needs of individual users, as well as sales, marketing and customer-relationship management functions, the companies said.

In the meantime, HP will resell and support BroadVision's current software products. HP will pay $35m to BroadVision for software licences, research and other services over the 3½-year life of the agreement.

The alliance reflects HP's strategy of partnerships with specialist software groups as it builds a broad offering of e-commerce services.

With IBM, Sun Microsystems and Compaq Computer also active in this emerging field, competition is fierce. However, HP said it believed that by offering preconfigured software systems, it could gain an advantage over competitors' software "tools" which required more development work.

The shift to business portals was part of a trend towards e-services, said Ann Livermore, president and chief executive of HP's enterprise computing group. "The next chapter of the internet will focus on linking individuals and businesses to personalised services, delivered instantaneously and automatically over the web."

Satellite mobile phone venture drifts out to a distant orbit

Shift in global standards and reduction in the size of handsets and charges has sidelined $5bn project, writes **Christopher Price**

It started with the wife of a Motorola executive wanting to phone home from a Caribbean beach. Yesterday it was left to an embarrassed management to explain to investors – some of whom have now launched legal action against the company – how the Iridium dream went wrong.

The $5bn project, which launched the world's first hand-held satellite mobile phone service in November, has failed to attract enough customers and generate sufficient revenues to avert Iridium breaching its banking covenants.

The company has blamed poor marketing and technical difficulties. But the departures of the finance director last month, and Ed Staiano, vice-chairman and chief executive, last Thursday, suggest something more fundamentally wrong.

When the idea of a mobile phone that could telephone anywhere was conceived, the burgeoning cellular market was beset by technical limitations, differing international standards and high tariffs.

Iridium's service partners and other strategic investors became shareholders in the project, offsetting some of the risk to Motorola, the founder. Crucially, the service partners would also be responsible for marketing, sales and billing.

The company joined the Nasdaq stock market in 1997 and, buoyed by ambitious forecasts by analysts, as well as Iridium's own flow of positive announcements, the stock rose from its $22.50 IPO price to more than $70 a year later.

Iridium's target markets were business travellers, industries in difficult environments, such as oil and gas exploration, and developing nations.

Unfortunately for the company, the telecoms market had changed when it came to launch almost six months ago.

Different standards still divided the US and the rest of the world but Europe, and increasingly countries outside the region, had found a common platform in GSM, the European standard for cellular telecoms.

Agreements between GSM operators have seen a raft of roaming agreements that have enabled mobile phones to be used across international borders. At a stroke, it also undermined the "use-anywhere" benefit promised by Iridium.

Technology has driven other changes in cellular telephony. The size and weight of phones has been shrinking at a rapid rate. At the same time, power and functionality have increased. The Iridium phone, on the other hand, weighed and looked like a small house-brick.

And while terrestrial cellular call rates and phone equipment costs have fallen as dramatically, Iridium came to the market with call charges as high as $7 a minute and handsets selling for about $3,000.

Iridium believed it could rise above these changes because of the global roaming benefit of its service and because its service partners had a vested interest in seeing Iridium prosper.

They were wrong on both counts. First, the group's $140m advertising campaign failed to communicate the service's basic benefit. Second, some service partners complained they had not been trained how to market and sell the service, others that consumers were confused about what Iridium did.

In addition, in a highly competitive mobile market, few service partners felt compelled to advertise and market a service they viewed as superfluous to their business.

Finally, software problems with the handsets meant that supplies only began to become freely available earlier this year.

The result was that by the end of the first quarter of this year, five months after the service launched, there were just 10,000 subscribers.

Motorola, which holds a 20 per cent stake, has pledged to ensure the company survives. Iridium has sent its Washington-based directors out to the field to explain the Iridium message to its service partners and to underline the need for resources for sales and marketing.

However, the Iridium fiasco casts a longer shadow. Globalstar Communications and ICO Global Communications are due to launch rival satellite phone services over the next 18 months.

The stock price of all three companies has crumbled in the wake of Iridium's problems – a serious development if, like ICO, you still need to raise some of the $3bn your system costs.

Both rivals are likely to be taking a stern look at their own business models, which differ little from Iridium's, except perhaps in cheaper call rates. Wall Street analysts, who have remained relentlessly positive about the industry, are quietly removing their "buy" recommendations, in the short term at least.

Meanwhile, Iridium executives will be focusing their minds on how to get their subscriber numbers up. They had better be quick – with the Iridium satellites only having another five years of power left, they will soon have to start thinking about raising the next $3bn to replace them.

Sales figures confirm investors' and analysts' fears

Iridium yesterday said it had attracted just over 10,000 customers and revenues of $1.4m since launching the world's first hand-held satellite mobile phone service in November, writes Christopher Price.

The figures confirmed the worst fears of investors and analysts over the disappointing performance of the group.

To meet its banking covenants, Iridium was supposed to achieve targets of some 30,000 subscribers and $30m of revenues by the end of the March quarter.

John Richardson, acting chief executive officer, said: "Clearly, we have a great deal of work to do to improve our marketing, distribution and sales activities all over the world."

He said the company was now involved in tailoring the products, which include paging and messaging services, to better fit areas of identified market demand.

Most significantly, there would be "reconsideration of product and service prices", indicating that Iridium's much-criticised pricing model was likely to be revised.

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DISTRIBUTION SKr3.3bn SWEDISH DEAL

German post office agrees to buy ASG

By Tim Burt in Stockholm

Deutsche Post, the German post office, stepped up its aggressive expansion in European distribution services yesterday by agreeing to acquire ASG, the Swedish transport and logistics group, for SKr3.33bn ($398m).

The deal signals Deutsche Post's third sizeable acquisition since December, when it paid €920m ($979m) for Danzas, the Swiss logistics group, followed by an €870m bid for the parcels and logistics arm of Nedlloyd, the Dutch transport group.

Klaus Zumwinkel, Deutsche Post chief executive, said ASG would be integrated along with the Nedlloyd businesses into its Danzas subsidiary.

"We are continuing to improve Deutsche Post's parcel delivery network, which will serve 330m customers in Europe," he added.

A number of European postal services, including the French post office and Britain's Royal Mail, have been buying up parcel distributors in recent months to establish cross-border networks.

Jörgen Ekberg, chief executive of ASG, said the enlarged group would boast a global network for air and sea freight and claimed it would be "the only truly pan-European partner for integrated third-party logistics".

Deutsche Post approached ASG following the acquisition of its Scandinavian rival BTL by Stinnes, the German freight haulage company, for SKr3.3bn this year.

Although Swedish Post registered an interest in ASG, it is understood that Deutsche Post was the only bidder ready to make an unconditional offer for ASG at a price likely to win recommendation from the board.

ASG shareholders are being offered SKr265 a share in cash, a 24 per cent premium to the SKr214 level at which ASG shares were suspended last week.

The offer was recommended by the ASG board and accepted by Custos, the institutional investor that owns 40 per cent of ASG's shares and almost 50 per cent of the voting rights. Custos, which first acquired its ASG shares in 1997, said it had made a 123 per cent return.

Deutsche Post said it had received conditional acceptances covering 61.8 per cent of ASG's equity and 52.4 per cent of the voting rights.

ASG was advised by Carnegie, the Swedish investment bank, and Deutsche Post by Credit Suisse First Boston.

CSM to expand after €390m Leaf purchase

By Tim Burt

CSM, the Dutch food products group, yesterday announced plans to create one of Europe's largest sweets and confectionery groups by paying €390m ($415m) for Leaf, the Finnish sweet-maker behind brands such as Chewits, Xylifresh and Läckerol.

The Dutch company said it would use Leaf as a platform to expand its confectionery presence in the Nordic region, where it will be the market leader, and increase its presence in the fiercely competitive Benelux market.

"The CSM sugar confectionery division, consisting of Red Band Venco in the Benelux and Malaco in Scandinavia, will treble in size as a result of the acquisition," said Jaap Vink, CSM chairman.

The deal follows more than two months of talks between CSM and Huhtamaki, the Finnish packaging and foods group that owns Leaf.

Huhtamaki put Leaf up for sale earlier this year after deciding to concentrate on its higher-margin packaging division, where it is a leading producer of plastic and thin paper cartons.

Timo Peltola, Huhtamaki chief executive, said: "A strong financial position following the Leaf disposal broadens our scope for action beyond traditional, add-on acquisitions."

The company is understood to be considering deals in Latin America and central and eastern Europe.

Of Huhtamaki's €1.2bn turnover last year, Leaf contributed €420m and profits of €30m.

Its modest margins were a central factor behind Huhtamaki's decision to sell.

CSM, advised by Flemings, played down the prospect of heavy redundancies or plant closures at Leaf, which employs 3,400 people.

The Finnish company has two plants in the UK – in Bristol and Southport in Lancashire – employing 580 staff and manufacturing Elizabeth Shaw chocolates and Chewits respectively.

CSM said most of the synergies would be in marketing and distribution rather than manufacturing. It is thought to be seeking other smaller acquisitions in the fragmented confectionery market, which is often concentrated around core national brands.

Shares in Huhtamaki, advised by Goldman Sachs, rose 50 cents to €34.

Barilla pays SFr475m for Wasa biscuits

By Paul Betts in Milan

Barilla, the world's leading pasta manufacturer, paid SFr475m ($316m) yesterday to buy the Swedish Wasa biscuit and crackers maker from Novartis, the Swiss pharmaceuticals group.

The acquisition is the latest step in the Italian family-controlled company's international expansion strategy.

The purchase of Wasa is designed to strengthen its biscuit and bakery products activities.

Wasa employs 1,350 people in Sweden, Germany, Denmark, Norway and Poland.

It was founded in 1919 in Sweden and is the world leader in crackers, with sales last year of more than SFr300m.

Wasa was acquired in 1982 by the Swiss Sandoz group, which subsequently merged with Ciba three years ago to form the new Novartis group.

Barilla, founded in Parma in 1877, launched its international expansion strategy a few years ago. This includes a $100m pasta factory in Iowa to consolidate its presence in the US, where it has a 9 per cent market share.

The US pasta plant began production in September.

The Italian group, which is not listed on the stock market and is controlled and managed by the Barilla family, reported a 62 per cent rise in 1998 pre-tax profits to $115m on an 8 per cent increase in sales to $2.24bn.

Last year it invested $242m in capital projects.

Apart from pasta, Barilla manufactures a range of bakery products under the Mulino Bianco, Pavesi, Tre Marie and Panem brands.

It is the largest producer of bakery products in Italy. Guido Barilla, the company's chairman, said yesterday the Wasa acquisition represented a "natural strategic fit" for the Italian company.

Barilla was advised by Merrill Lynch International.

Sankyo deteriorates into a candidate for intensive care

The Japanese pharmaceuticals group is struggling against rival treatments and a lack of new drugs, writes Paul Abrahams

Sankyo is in trouble. Japan's second largest drugs group used to be mentioned in the same breath as Takeda. No longer. While Takeda remains poised for rapid expansion, Sankyo's prospects seem bleak.

The group's top-selling product, a cholesterol treatment called Mevalotin, is facing slowing sales growth and patent expiries. That would be serious enough.

But last Thursday Sankyo's most important recent launch, a controversial diabetes treatment called Rezulin, was dealt a heavy blow when an advisory committee of the US Food and Drug Administration recommended for approval a safer, more effective treatment from SmithKline Beecham, the Anglo-American group.

The following day, the committee also recommended that another rival compound, from Takeda, was safe. Analysts say Rezulin's sales have probably peaked, and there is nothing in the company's development pipeline to take up the slack.

Sankyo's management, led by Yoshibumi Kawamura, the group's veteran president, appears paralysed. In the meantime shareholders, 28 per cent of whom are foreigners, continue to be pummelled. The stock is 40 per cent below its all-time peak of July 1997.

Rezulin's sales have probably peaked, and there is nothing in the development pipeline to take up the slack

Sankyo faces huge problems. Mevalotin, which generates an estimated 55 per cent of its operating profits, is rapidly losing market share in the US to Lipitor, Warner-Lambert's rival cholesterol-lowering agent. In 1997 Mevalotin's sales were growing 35 per cent. But in some months last year, the number of prescriptions was falling. That is significant because the drug's US sales generate about 20 per cent of Sankyo's profits, according to HSBC Securities.

Sankyo's prospects before the Rezulin shock
Year to March

(Ybn)	1996	1997	1998	1999*	2000*	2001*	2002*
Mevalotin (pravastatin) domestic	109.9	120.5	122.3	124.7	127.2	127.2	124.7
Pravastatin exports & royalty	23.6	39.8	52.0	59.3	64.0	67.2	67.2
Noscal (troglitazone) domestic	-	0.8	7.9	8.7	10.4	11.5	12.6
Troglitazone US exports & royalty	-	3.2	21.2	33.9	44.1	50.7	55.8
Troglitazone Europe exports & royalty	-	-	0.2	1.0	7.0	8.8	9.2
Other drugs	174.6	174.5	162.8	159.8	161.1	164.4	169.3
Drugs total	363.0	398.4	419.3	440.1	456.6	482.1	490.4

Source: HSBC Securities   * Estimates

In the domestic market, where Mevalotin generates about 35 per cent of group operating profits, sales are also sluggish – gaining only 2 per cent in the fiscal year to March 1998. Next year, Lipitor, a more effective drug, is scheduled to be launched by Yamanouchi, a Japanese rival. In the longer term, sales are also likely to suffer further as Mevalotin's global patents begin to expire from 2002.

Rezulin, which improves the metabolism of insulin in diabetics, was supposed to take up the slack but further sales growth is unlikely. The drug was withdrawn from Europe by its distributor, Glaxo Wellcome, last December after liver abnormalities were reported among patients. Subsequently, there have been reports of up to 33 deaths among people taking the medicine.

In the US, the labelling of Rezulin, known there as Noscal, has had to be changed three times. Its share of new diabetes prescriptions has fallen from 11 per cent to 7.5 per cent over the past year. The drug's US sales were supposed to reach $1.2bn, but this year's sales of about $800m may be its peak.

SmithKline Beecham's rival compound, Avandia, has virtually no liver complications, and Takeda's drug Actos, which was reviewed by the FDA committee on Friday, caused liver abnormalities in 0.1 per cent of patients compared with Rezulin's 2 per cent. Avandia, which will be co-promoted by Bristol-Myers Squibb, also appears more effective than Rezulin.

Sankyo's problems are compounded by the weakness of its drug development pipeline. The two drugs awaiting Japanese approval, Logran, an anti-asthma treatment, and Calblock, a treatment for hypertension, are not expected to achieve high sales.

The medicines in final phase development – Lopid, a cholesterol treatment, CS-670, an arthritis drug, and CS-560, an allergy medicine – are expected to have peak sales of just Y27bn ($226m), according to HSBC Securities. The long-term development prospects are also bleak. The company invests just 11.2 per cent of sales in research and development – the lowest of the top-10 Japanese companies – and has failed to build up an effective international presence.

All this would be worrying enough if management was acting decisively. But the group has so far failed to license enough new products or to cut costs. Japanese rivals say morale at the group is rock-bottom because of a succession crisis. Mr Kawamura is 84 and wants his son, who has a banking background, to succeed him as president, against the wishes of many of the staff.

However, Sankyo's crisis should not be exaggerated. The group is still profitable – it expected to make net profits of about Y63bn in the year to March 31 – and has strong cash reserves. In March last year it had cash and marketable securities of Y300bn. But Goldman Sachs estimates future earnings-per-share growth is probably between zero and 1 per cent. Sankyo was once a high-growth stock. It is no longer.

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Bradford & Bingley votes for conversion

By Christopher Brown-Humes

The building society movement was shaken yesterday after members of Bradford & Bingley ignored the board and backed plans to convert into a bank.

Up to 3m members could receive windfalls averaging £1,000 ($1,610) each as a result of a vote in favour of a conversion resolution originally sponsored by a 35-year-old plumber from Northern Ireland.

The success of Stephen Major's campaign to overturn the mutual status of Bradford & Bingley, the UK's second largest building society, is the first time members have voted against a board's wishes.

It marks a devastating defeat for the entire movement, which, following earlier conversions, will be seen as increasingly irrelevant in terms of influencing mortgage and savings market pricing. B&B said it would list as an independent bank next year, scrapping its mutual status after 149 years.

There was immediate speculation that predators could try to disrupt B&B's conversion plans as many banks and life assurers are awash with surplus capital.

Analysts suggested both Halifax and Abbey National as possible candidates, but the society itself might prefer an overseas buyer because it might be allowed greater independence.

Lindsay Mackinlay, B&B chairman, said "Predators are most unwelcome."

The society, which has 4m customers and more than 3 per cent of the mortgage and savings markets, could be worth more than £3bn, said one analyst.

The end of mutual status was announced at B&B's annual meeting in a marquee on a cricket pitch outside B&B's headquarters in Bingley, Yorkshire.

It was a personal triumph for Mr Major whose low-key campaign achieved instant success, in stark contrast to the failed conversion attempts of Michael Hardern, the self-styled carpet-bagger-in-chief. "I kept out the limelight and that swayed it," Mr Major said.

More than 62 per cent of members favoured conversion on a turnout of 1.54m of 2.5m eligible voters. The figures were 957,000 in favour of conversion and 586,000 pro-mutual votes. A clearly dejected Mr Mackinlay said: "Above all else, mutuality is about listening to members. We have acted democratically." He blamed the defeat on low interest rates which had reduced the benefits of mutuality and increased the attractions of a windfall.

Christopher Rodrigues, chief executive, whose pro-mutual stance has frequently been questioned because of his non-mutual background, said: "It's in the long term interest of members to remain a mutual. But we will be pro-consumer as a bank"

The board is now in the difficult position of having to advocate conversion when it has argued in favour of remaining mutual. It said it was "inevitable" that mortgage rates would go up and savings rates worsen.

The result is likely to prompt an urgent assessment of strategy by other building society boards. However, many have already taken measures to make conversion votes harder.

Airtours made informal approach to First Choice

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Airtours, the UK tour operator, broke off an exploratory takeover approach to First Choice last month, when the UK's third largest tour operator rebuffed the approach by announcing a £1.4bn ($2.25bn) merger with Switzerland's Kuoni.

Neither First Choice nor Airtours would comment but it is understood that Airtours approached First Choice informally about a merger. First Choice said nine weeks ago that it had received unspecified bid approaches. Airtours terminated the offer of further talks when First Choice announced its merger agreement.

Airtours is now planning a hostile all-paper counter-bid for First Choice which, if successful, would make it the UK's largest tour operator, a position occupied by Thomson Travel Group for more than 25 years.

It is the second time within a decade that Airtours has approached First Choice, previously known as Owners Abroad. It made informal contact in 1992 only to mount an unsuccessful hostile bid in 1993 when rebuffed.

Both First Choice and Thomson last week warned Airtours against mounting such a bid which would be likely to trigger competition concerns.

First Choice and Kuoni yesterday revealed a slimmed down executive board for Kuoni Holdings - the name of the planned merged group - in their offer document released to shareholders. First Choice's Peter Long will step up from managing director of UK operations to group chief executive while Kuoni's Daniel Affolter will rise from deputy chairman to executive chairman.

Ian Clubb and Riccardo Gullotti assume the reduced roles of non-executive chairman and non-executive director, respectively.

Mr Gullotti will receive £4.56m in compensation, including a £246,809 pension contribution. Mr Clubb will receive £543,250 in compensation.

Analysts yesterday expressed disappointment that the document failed to quantify synergy benefits which they estimate at £10m-£12m. However, the merger will cost £25m to effect, of which £12m is payable to financial intermediaries.

First Leisure confirms Cannons fitness talks

By Scheherazade Daneshkhu and Charles Pretzlik

First Leisure and Cannons Group confirmed yesterday that they are in talks about an all-paper merger of their health and fitness businesses to create the largest group of its kind in the UK.

Under the plan being discussed First Leisure would spin off its health and fitness business. This would then be merged with Cannons which would issue shares to First Leisure shareholders.

Shareholders from each group would have approximately equal shareholdings in the merged company, although it is unclear which would have the upper hand.

First Leisure said: "These discussions have not yet reached a conclusion." However, the talks are at an advanced stage and a deal could be struck shortly.

Bruce Jones, leisure analyst at Merrill Lynch said he expected the new fitness company to be worth about £530m ($853m), about twice Cannons' current market value.

It is understood that Michael Grade, chief executive of First Leisure would remain with the rump of the business which includes nightclubs, bars and ten-pin bowling. First Leisure said yesterday it was "exploring strategic initiatives for the rest of the group."

Analysts questioned the logic behind the proposals. "I don't understand why the group [First Leisure] is contemplating this deal. In essence you are selling off the part of the company which is worth a few bob and keeping the less highly regarded parts," said one leisure analyst.

First Leisure shares have underperformed the market by almost 60 per cent over the last three years. Mr Grade was appointed two years ago to revive the business founded by his uncle, the late Lord Delfont. He sold the bingo and resorts businesses and has focused the group on three main divisions: health and fitness, nightclubs and family entertainment, mainly bowling.

However, First Leisure shares are trading at a 30 per cent discount to the market on 1999 forecast pre-tax profits of £34m, despite the company's exposure to the highly-rated health and fitness market.

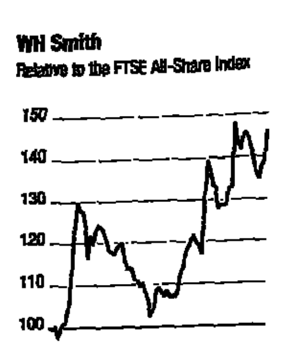
The proposed merger of the health and fitness operations could be one way of unlocking shareholder value, according to analysts.

COMMENT

WH Smith

Yesterday's 5 per cent rise in WH Smith shares takes to over £450m ($725m) the value the market is attributing to its online service. Is this rational? The provision of internet access is now a commoditised business: low barriers to entry have allowed some 40 free service providers to spring up. Revenue-sharing kickbacks from the phone companies and helpline fees alone cannot warrant these heady valuations. So for WH Smith, as for Dixons, the success of its online business will depend on advertising revenues. Here Smith's focus on schoolchildren looks a disadvantage: advertising to children is less lucrative than to their parents. And it is far from being the first in the market: around 80 per cent of page views are generated by just 1 per cent of sites, largely those with established brands. This leaves much depending on its e-commerce revenues. Competing against Amazon.com and the rest will be tough. Smith should be able to find a credible, defensive niche. But that is more than in the price.

WH Smith
Relative to the FTSE All-Share Index



Source: Datastream/ICV

First Leisure/Cannons

So farewell First Leisure. Plans to demerge its core health and fitness division to rival operator Cannons signal the leisure group's long-awaited break-up. This must be a poignant moment for Michael Grade, who arrived at the family-linked business years ago promising great things. Sadly, these did not materialise: the shares underperformed the market by nearly 40 per cent over the last year.

Still, if First Leisure shareholders end up with 50 per cent of the merged health and fitness company's equity, as rumoured, they will be doing well. There are even suggestions that First Leisure will inject some debt into the new company. With its fitness division's operating profits forecast at £13.5m next year, against £18m for Cannons, a 43-45 per cent share for First Leisure would seem a fair split.

This is confirmed if First Leisure's health and fitness earnings are put on Cannons' 2000 earnings multiple of 22. This implies a value of about £220m, or well short of Cannons' own market capitalisation of £267m. Some premium is warranted given the market power created by forging an industry leader, but probably not this much. If Mr Grade can produce similarly attractive deals for First Leisure's rump assets – nightclubs, bars and bowling – his record will look vastly improved.

US groups dig deep to win the right to get switched on

PowerGen has become the latest in a series of deals which is widening competition, write **Andrew Taylor and Thorold Barker**

The deep pockets of US power companies have once again prevailed in an auction to buy European electricity assets.

Mission Energy, part of the California-based Edison International energy group, is understood to have agreed to pay almost £1.3bn for two coal-fired power stations owned by PowerGen, the UK's third largest generator.

The purchase comes just seven weeks after Reliant Energy agreed to buy Energieproduktiebedrijf (UNA), a Dutch power utility, for $2.4bn (£1.5bn). UNA, one of four Dutch generators, has about 20 per cent of the local market.

The allure of Europe for cash-rich US power utilities has been enhanced by a European Union directive, triggered in February, requiring just over a quarter of the EU's electricity supply market to be opened to competition.

However, US investment in the UK power sector, privatised in 1991, predates the EU directive. Total spending in the UK by US energy groups has approached almost £15bn since 1995. Some of these investments have subsequently been sold on to other operators anxious to gain a foothold in one of Europe's most liberalised electricity markets.

The latest round of sales was prompted by the British government's concern to increase competition and reduce the price setting power of large domestic generators which had been accused by the industry regulator of manipulating prices.

The regulator is currently developing trading arrangements which he hopes will be more transparent and competitive, in line with other commodity markets.

In addition, Stephen Byers, trade and industry secretary, has backed plans by National Power, the second largest generator, to sell its 4,000MW Drax plant in Yorkshire, Europe's largest coal-fired power station.

The government in return for the sale of the two PowerGen plants and Drax has withdrawn its objections to the generators buying electricity supply businesses which will give the companies their first direct link with domestic customers.

PowerGen last year bought East Midlands Electricity for £1.9bn while National Power is buying the supply business of Midlands Electricity for about £300m.

The disposals, together with previous enforced plant sales, will reduce the combined market share of the two generators from 78 per cent in England and Wales in 1990 to about 27 per cent.

Analysts expect the power station sales to be earnings dilutive. However, the two companies faced losing market share anyway, through the gradual erosion of sales as new gas-fired power stations come on stream.

It can be argued that the generators are gaining a high price for assets which longer term will generate lower margins either through increased competition, new trading arrangements or just tougher price controls by the regulator.

The generators, meanwhile, have been able to satisfy their strategic aims of purchasing supply interests.

Exposure to generation and retail supply should enhance the power trading ability of the generators, but will the enforced disposals increase competition and reduce prices in the short term?

Iain Turner, utilities analyst at BT Alex Brown, says: "Just because the stations have changed ownerships, it doesn't necessarily mean competition will increase. There won't be a price war because going for market share won't maximise profits".

The high price thought to have been paid by Mission Energy – Drax is expected to fetch about £2bn – would suggest that it would not be in the best interest of the new owners to compete too strongly on price.

National Power and PowerGen's market shares have already fallen below the level that would cause competition concerns in most industries. But this not the same as the price setting power of the companies.

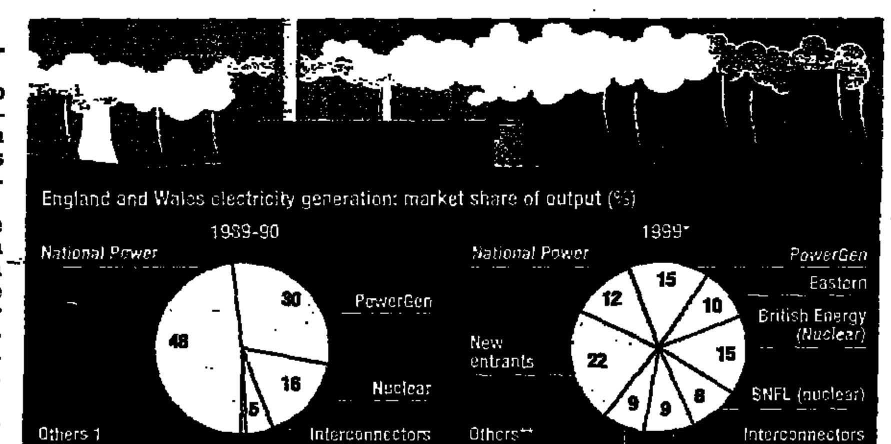
British Energy, which has 23 per cent of UK output, is the market leader – the chart refers only to England and Wales – but as a nuclear producer it does not set prices, unlike the large fossil fuel generators.

Industry leaders, however, expect prices to decline by at least 10 per cent in real terms over the next five years. Simon Taylor of Salomon Smith Barney, the broker, says: "They [wholesale prices] fell by about 5 per cent in real terms last year and are only going one way. The question is how quickly".

Concern over future generation prices is partly reflected in a 35 per cent fall in PowerGen's share price relative to the FTSE All-Share Index since September. National Power's share price has fallen 30 per cent over the same period.

The question for investors in US power companies is whether the high prices being offered for electricity assets will be justified. As one banker put it last week the successful bidder in these auctions "will be the one who makes the biggest mistake on the valuation".

England and Wales electricity generation: market share of output (%)



US owned UK electricity utilities

UK utility	US owner	Take over price (£bn)	Year of takeover
The Energy Group	Texas Utilities	4.5	1998
Midlands Electricity***	GPU/Cinergy	1.7	1996
SEEBOARD	Central & South West	1.6	1996
Yorkshire Electricity	American Electric Power/Public Service Company of Colorado	1.5	1997
Sweb	Southern Co	1.1	1995
Northern Electric	CalEnergy	0.7	1996

Sources: OFFER; industry estimates

* Industry estimates post sale of power stations by National Power and PowerGen
** includes power stations currently for sale *** supply business sold to National Power

Europower expands in US via Voss buy

Europower is paying $6m (£3.7m) to buy the principal US distributor of its hoses and couplings.

The group, formerly known as Brasway, said the acquisition of Voss, based in Ohio, would allow it to increase its presence in that market. The deal will be funded from existing cash resources.

Voss reported sales in 1998 of $6.2m ($5.4m) and reported pre-tax profits of $537,000 ($900,000), after exceptional charges of $484,000; net assets were $1.8m.

WHS launches internet service

By Caroline Daniel

WH Smith, the books and stationary retailer, yesterday launched WHSmith Online, which will provide free access to the internet.

The much-awaited launch pushed WH Smith shares up 38p, or 5 per cent, to 778½p. The shares have already benefited from the internet strategy – rising 11 per cent, their sharpest ever rise – after WH Smith unveiled plans on March 24 to team up with Microsoft, the US software group, and British Telecommunications to develop a free portal, or gateway, to the internet.

To differentiate itself from other free internet service providers, such as Dixon's Freeserve and one by Egg, the Prudential's new banking service, WH Smith has focused on offering educational content and a family-friendly service.

Richard Handover, chief executive, said: "Our portal is directed at high quality, high content in the educational and reference area to leverage the WH Smith brand in these areas. We want to make it appealing to parents and children."

WHSmith Online will offer a year's free use of Cyber Patrol, an advanced filtering tool that lets parents vet their children's internet access, worth about £40.

Users will have free access to Hutchinson Family Encyclopedia, as well as National Curriculum guides and links to educational websites.

The new site will also have an e-commerce component. It offers access to 20 further sites which include general information as well as five WH Smith shopping sites.

WH Smith is due to publish its interim results on Thursday.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BATM Advanced ‡$	Yr to Dec 31	12.1	(10.6)	3.62	(1.46)	11.5	(4.84)	0.50255§	June 21	0.5025	0.5025	0.5025
Boot (Henry)	Yr to Dec 31	172.1	(182.2)	10.6	(10.1)	29.1	(27.1)	6.2	June 4	6.2	9.1	8.5
Coldwell Invs	Yr to Dec 31	12.3	(13.8)	0.087L	(0.365L)	0.46	(2.11)	0.8	June 30	0.8	1.225	1.225
Inveresk West ‡	Yr to Dec 31 ★	-	(-)	0.137L	(0.179L)	0.1L	(0.2L)	-	-	-	-	-
Keek (William)	Yr to Dec 31	3.5	(3.2)	2.64	(3.22)	23.84	(28.24)	5.3	June 1	5.3	8	8
PPL Therapeutics	Yr to Dec 31	0.478	(1.14)	14.2L	(10.2L)	31L	(31L)	-	-	-	-	-
Premier Direct ‡	6 mths to Jan 31	5.5	(4.79)	0.556	(0.492)	10.3†	(25.1)	-	-	-	-	-
Recycling Services	6 mths to Feb 28	13.7	(12.3)	0.052	(0.017)	0.25	(0.1)	-	-	nil	-	nil
SBS ‡	6 mths to Feb 28	28.3	(11.2)	1.37	(0.539)	10.8	(5.2)	1.5	July 23	1	-	3.2
Solitaire ‡	Yr to Dec 31 §	2.79	(1.82)	1.07	(0.558)	15.7†	(13.8)	4.8	May 26	1.3	7.2	1.2
Wemmy	Yr to Jan 30	15.7	(14.8)	1.54	(1.35)	14.24	(11.79)	3.45	July 1	3.425	5.1	5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Pref Inc	Yr to Feb 28 ‡	141.23	(118.14)	12.2	(5.81)	14.22†	(24.35)	4	‡	3.25	15.25	14
Murray Enterprise	6 mths to Mar 31	147.6	(180.5)	0.223	(0.34)	0.9	(1.4)	1	June 30	1	-	3.1

Earnings shown basic. Dividends shown net except §§Gross throughout. Figures in brackets are for corresponding period. ‡Also stock. $US currency. ♦After exceptional charge. ¶After exceptional credit. †On increased capital. ‡Irish currency. ★Comparatives restated and cover nine month period. ‡Comparatives pro forma. §Comparatives for nine months. ‡Comparatives for 21 months. #Already paid.

EURO MARKETS

Food producers forced to find new recipe

Lack of growth this year has left the industry looking stale despite attempts to refocus and consolidate, writes **John Willman**

Europe's investors seem to have lost their appetite for food producers and processors this year. The sector's seven shares in the FTSE Eurotop 300 are down 8.22 per cent since the start of the year and 16 per cent against the index as a whole.

Part of the explanation is that most of the non-cyclical goods and services groups have underperformed the market since January. Investors who sought defensive stocks last year amid fears of a stock market correction have been switching to more glamorous growth opportunities as share indices have soared to new heights.

But there are also concerns about the industry that have relegated it to the bottom of the Eurotop league table.

"The sector has been underperforming mainly because of concerns over the lack of top-line growth," says Doriana Russo, European food analyst at Salomon Smith Barney. "The concerns focus on emerging economies and the more mature markets."

Much of the blame for stirring up this gloom falls on Nestlé, the Swiss company the world's largest food producer. At the end of November it issued a warning that sales growth in 1998 would fall below the 4 per cent target following a sharp downturn in Asia, Latin America and Russia.

"The 3.3 per cent achieved was quite good," says Anne Alexandre of Credit Suisse First Boston. "But the company had been saying it would make its target all year."

In January, Nestlé added a warning that sales were generally sluggish, with the honourable exception of North America.

The maturity of the food business in industrialised economies is nothing new. Over the last few years Europe's larger food companies have been restructuring to refocus on the best growth opportunities – a trend Nestlé joined earlier this month when it announced plans to sell its Findus frozen-food business and concentrate on higher margin prepared dishes, snack and pizza products.

"The decision was a sign of the times," says Véronique Adam, a food analyst for J.P. Morgan. "For the first time Nestlé said it was really committed to addressing the issue of large non-performing assets."

The benefits of refocusing have already come through for Unilever, the Anglo-Dutch consumer giant, and Danone, the French food and drink group. Despite underperforming the market since January, both have been re-rated in recent years as they sold low-margin businesses and concentrated investment behind core activities.

"Danone has just announced first-quarter sales growth of 5 per cent in France and the rest of Europe in markets growing at 1 per cent a year," says Ms Adam. "There were signs of a recovery in Asia and volume is growing without sacrificing price and mix."

Analysts are less optimistic about smaller food companies, represented in the Eurotop 300 by Associated British Foods of the UK and Numico, the Dutch group formerly known as Nutricia that makes Cow & Gate and Milupa baby foods. ABF has registered one of the largest falls in the index this year and Numico is down in line with the sector.

"Some smaller caps such as Raisio and Parmalat have outperformed the large caps, though only by not moving while the large caps have plummeted," says Ms Russo. "But the market isn't rushing to look at small caps yet because they will find it tough to perform even when momentum is restored to the sector."

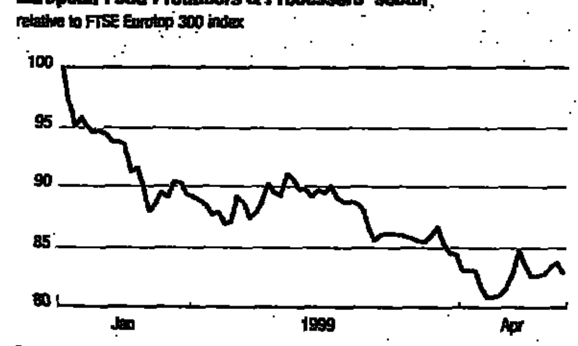
The reason for that is simple: margin erosion as increasingly powerful retailers demand lower prices from their suppliers. The larger companies have the brands and clout to resist such pressures, but the smaller companies find themselves squeezed by the market leaders and own-label products.

Will the largest producers find the going tougher if the long-expected consolidation in European retailing gets under way? The launch of the euro in January provided an impetus for cross-border deals and raised the prospect of supermarkets buying on a continental scale that would give them the upper hand in dealing with manufacturers.

Ms Alexandre thinks there is little scope for retailers to strengthen their position, given that most food products do not travel. "Food is still linked to local tastes – Nescafé doesn't taste the same in France and Germany as it does in the UK."

"If the European economy slows this year as most economists expect, growth will be harder to achieve," she added. "But in the longer term, emerging markets will pick up and the mature markets will return to growth."

European Food Producers & Processors' sector, relative to FTSE Eurotop 300 index



Source: Datastream/ICV

FTSE Actuaries Share Indices — European series

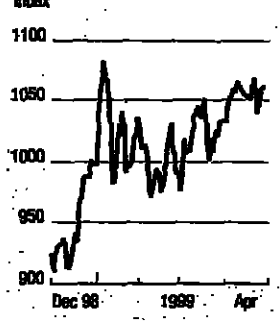
Produced in conjunction with the Faculty and Institute of Actuaries

CURRENCIES, MONEY & BONDS

EURO-ZONE BONDS

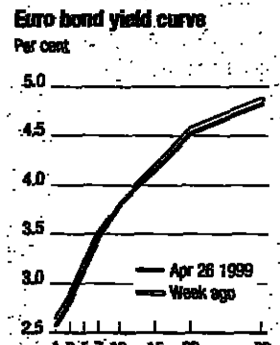
Apr 26	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.863	2.55	+0.01	−0.57	−0.15
Denmark	01/02	4.750	AA+	104.408	3.01	+0.00	−0.23	+0.17
Sweden	02/01	5.000	AA+	103.679	2.84	+0.02	−0.30	+0.14

FTSE Eurobloc 100 index



Euro bond yield curve

Per cent



EURO SPOT FORWARD AGAINST THE EURO

Apr 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.7317	−0.1129	085 - 538	37.8000	37.6800	37.8763	−4.6	38.1400	−4.3	39.2775	−4.1
Denmark	(DKr)	7.4331	+0.0011	292 - 370	7.4380	7.4260	7.4363	−0.5	7.4414	−0.4	7.4673	−0.5

OTHER INDICES

FTSE EUROTOP 300

EURO.NM

EASDAQ

US and European bond prices fall

BENCHMARK BONDS

By Arkady Ostrovsky in London and Richard Waters in New York

US and European government bond prices fell yesterday, as investors braced themselves for a new wave of corporate issues.

Ifty Islam at Deutsche Bank said the steepening of the yield curve in the US also reflected concerns about inflationary pressures and the strength of the economy.

"The bond market is evidently less relaxed about the impact of recovering oil prices on inflation figures than the Federal Reserve," he said.

Oil prices have risen by about 60 per cent in the past few months, but this has so far failed to translate into a rise in a consumer prices index.

However, Mr Islam argued that it was just a matter of time until the rise in oil prices fed through into the CPI numbers.

US Treasury prices slipped again yesterday morning as the fixed income markets struggled to absorb a wave of new debt from corporate issuers.

Investors also remained cautious about the potential impact of the stock market's recent surge on already buoyant consumer demand in the US.

A 7/16 fall in the benchmark 30-year Treasury by early afternoon, to 94 13/32, nudged the yield up to 5.63 per cent, compared with 5.5 per cent a week earlier.

Ten-year bond yields climbed 16 basis points, to 5.28 per cent, after the price fell another 7/32 yesterday morning to 96 1/16.

Shorter-dated securities were also lower, with the two-year note falling 1/8 to 99 25/32, lifting the yield to 5.063 per cent.

European government bond prices also closed lower yesterday, but managed to outperform US Treasuries.

The yield spread between the 10-year German bund and the US 10-year Treasury continued to break new limits, touching 150 basis points – its highest level since the beginning of the decade. Germany's 10-year bund future fell 0.26 to 115.43.

The outperformance of European bond markets is partly driven by better "carry trade" opportunities, according to Ifty Islam, at Deutsche Bank.

This means investors in European bonds can raise cheaper short-term financing for their long-term investments.

UK gilt prices continued to fall further, with the yield spread between 10-year German bunds and 10-year gilts approaching 90 basis points. The 10-year gilt future fell 0.43 to 116.46.

Kevin Adams at Barclays Capital said a spread of 100 basis points could be in sight.

Most economists agree that the UK is at the bottom of the interest rate-cutting cycle, while the European Central Bank could still cut rates further in order to kick-start economic growth.

The widening yield spread between UK gilts and German bunds reflected a trend of divergence between UK and euro-zone interest rates, said Jan Loesy at J.P. Morgan.

"The scenario of UK interest rates smoothly gliding towards euro-zone rates is at risk," he argued.

Analysts said the market still expected the UK to join the single currency, but this expectation might weaken if the UK economy followed a US model with strong economic growth, strong currency and little inflationary pressure.

Japanese bond prices rose yesterday, reflecting the bullish sentiment in the market. The key June future on a 10-year JGB rose 0.34 to 134.89.

Fitch IBCA restores Malaysian rating

By Edward Luce, Capital Markets Editor

Fitch IBCA, the credit rating agency, yesterday restored Malaysia's investment grade rating, having removed it last autumn.

The agency, which had been alone among its peers in downgrading the country, cited the drastic improvement in Malaysia's current account position and the restoration of high foreign exchange reserves as reasons for the move.

In addition, the threat of a repetition of the government's decision unexpectedly to impose exchange controls last autumn had receded.

"We felt there was a significant risk of unpredictable and irrational policies coming out of Malaysia," said Christopher Huhne, head of sovereign ratings at Fitch IBCA. "This is no longer such a big threat."

However, the agency, which also approvingly mentioned the country's recent moves to accelerate corporate and financial sector debt restructuring, warned that it was unclear "to what extent investor confidence has been damaged by the imposition of exchange controls".

Fitch IBCA also signalled that it was likely to restore Thailand's investment grade rating and that it would also probably upgrade South Korea from its BBB– rating.

Thailand, which never lost its investment grade rating from Standard & Poor's but was downgraded by Moody's Investors Service early on in the Asia crisis, had also dramatically improved its foreign exchange reserves and current account position, Fitch IBCA said.

NEWS DIGEST

FUTURES

CBOT unit settles dispute with Cantor Fitzgerald

Uncertainty hung yesterday over efforts by the Chicago Board of Trade, the biggest US futures market, to move into cash trading of government securities after its Chicago Board Brokerage arm reached a legal settlement with Cantor Fitzgerald, the US broker-dealer, that bars CBB from using Cantor-related computer software to run the electronic trading system.

CBB, a joint venture between the CBOT and London-based Prebon Yamane, was due to be launched last year but it ran into legal problems when Cantor claimed that two of its limited partners, Iris Cantor and Rod Fisher, had breached their partnership agreements by selling Cantor-related electronic trading technology to CBB.

After months of courtroom wrangling, Cantor and CBB yesterday announced a settlement under which CBB, its parent companies and their respective affiliates had agreed not to use the software provided to CBB by Market Data Corporation. In return, Cantor dropped all claims against CBB. Other terms of the settlement were not disclosed. The case brought by Cantor against the two partners continues.

Deborah Kostroun, at CBB, confirmed that the joint venture would no longer have access to the trading software, and said that it was reviewing future plans. The move into cash trading of government securities had always been seen partly as a retaliatory measure by the CBOT, as Cantor stepped up its own efforts to launch a Treasury futures trading system – thus challenging the CBOT's existing treasury complex. **Nikki Tait, Chicago**

RISK MEASUREMENT

Corporate tool launched

A risk measurement tool is being launched to help corporate treasurers cope with the volatility of financial factors, such as foreign exchange and interest rate movements. CorporateMetrics, thought to be the first of its kind, is being introduced by the RiskMetrics group in conjunction with the investment bank J.P. Morgan. It is designed to help corporate managements identify the potential impact of financial market movements on earnings and cashflow.

Risk management tools are widely used by banks to assess how changes in markets and complex financial instruments, such as derivatives, can affect profits and balance sheets.

The new system creates a possible range for the key variables, such as exchange rates or commodity prices, at the target date, by using a combination of historic volatility data and macroeconomic analysis. It consists of four components: a set of risk measures for corporations, including earnings-at-risk and cashflow-at-risk; a set of risk measurement methodologies; data and methodologies for forecasting market rates and prices; and a software package for risk analysis and reporting. **Philip Coggan, London**

Global MTNs from Florence

NEW ISSUES

By Khozem Merchant

The Italian city of Florence yesterday launched the country's first global medium-term note programme, setting a trend that will be followed by Naples later this week.

The $300m Florentine programme, arranged by Merrill Lynch and co-arranged by Casa di Risparmio di Firenze, is internationally structured, allowing access to US, euro and domestic markets. The €250m Naples MTN programme will be targeted at domestic, euro and Asian markets.

The two MTN programmes mark a significant expansion of financing options for local authorities in Italy. They are part of a broader trend among municipalities in Europe to diversify funding sources away from "relationship banks" and, in Italy, the Casa depositi a prestiti, a state-owned banking network.

Local authorities are under intense budgetary pressure and increasingly look for more competitive funding sources.

Standard & Poor's, the rating agency, assigned an AA rating for Florence, while Moody's Investors Services has given a rating of Aa2. Moody's rating is one notch higher than that for Italy, which it says reflects the city's strong economy and stable political environment. Florence is the main city in Tuscany, where economic growth has exceeded the national average.

Fannie Mae, the largest US mortgage lender, yesterday priced the second of its recently launched series of benchmark callable bonds, which allow an issuer to redeem bonds before the maturity date at an agreed price on a given date.

The decision to launch the $2.5bn 10-year bond, callable after three years, emerged during the marketing of the agency's debut callable offering, part of an initiative unveiled earlier this month.

Officials at Fannie Mae said pre-selling for the debut offering, a $2bn five-year bond callable after two years, revealed strong demand for an offering of longer duration.

Under the programme, Fannie Mae is committed to launching at least one callable bond each month.

The busy start has pleased the agency, especially as it had earlier acknowledged European investors' scepticism towards callable products. It said one of the reasons behind the programme was that in a low-interest-rate environment, callable bonds would offer a greater yield and this would dissuade the sceptics. Yesterday's bond was priced to yield 121 basis points over the relevant US Treasury.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Fannie Mae(a)★	2.5bn	6.50#	100.00	Apr 2009	0.15	+122(Nov08)	Lehman/Merrill/MSDW
Federative Rep of Brazil(b)#	1bn	11⅝(s)	99.062	Apr 2004	-	+675(Feb04)	M Stanley/Salomon
Midland Bank plc(c,S)‡	300	(c1)	99.55R	Aug 2009	0.35R	-	HSBC Markets
Royal Bank of Canada‡	300	(d)	99.8456R	May 2002	0.042R	-	Morgan Stanley/RBC
EUROS(e)							
Kingdom of Spain(g)	500	3.50	(g1)	Apr 2006	0.15	+8(6¼Apr06)	ABN Amro/Deutsche
Spintab AB‡	400	(h)	100.05	May 2000	0.05	-	Deutsche Bank
Cregem Finance NV	300	3.25(i)	99.82R	Jul 2003	0.125R	+23(7¼Jan03)	Dexia Capital Markets
ING Bank NV	150	(j)	101.35	May 2019	2.00	-	ING Barings-BBL
Oest Kontrollbank(k)	150	(k1)	100.00	May 2009	0.325R	-	Bawag/Goldman Sachs
Fortis Finance NV	100	4.375	100.495R	May 2007	0.32R	+51(6¾Jul07)	Generale Bank
SWISS FRANCS							
Eurohypo(m)	100	2.00(s)	101.65	Dec 2003	2.00	-	Deutsche Bank(Switz)
UBS AG Jersey Branch(n)	100	8.25#	100.00	Nov 2000	-	-	Warburg Dillon Read

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from 29/4/02 at par. a) $2bn launched on 23/4/99 for cash was increased to $3bn from Brady bond exchange. c) Callable from Aug 04 at par. c1) 3-mth Libor +40bp to Aug 04, then +90bp. d) 3-mth Libor flat. e) Spread relates to German govt bonds. g) Fungible with €2bn. Plus 25 days accrued. g1) Priced today. h) 3-mth Euribor flat. j) 0.85 x 10-yr CMS; min 4%. k) Callable annually from 12/5/01 at par. k1) 3.5% to 12/05/01, then steps up 0.25% annually to 5.5% in yr 10. m) Hypotheken Pfandbriefe. n) Redeemed at par or Novartis registered shares at SFr2,182. s) Short 1st coupon. S) Subordinated.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 26	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.4083	4.78	–0.01	+0.02	–0.09	–0.18
	08/08	8.750	124.3903	5.38	-	-	–0.10	–0.30
Austria	03/01	5.250	104.6000	2.59	–0.08	–0.10	–0.28	–1.43
	01/08	5.000	107.1000	4.01	+0.03	+0.01	–0.19	–1.00
Belgium	03/01	5.000	104.0700	2.77	-	–0.05	–0.30	–1.39
	03/09	3.750	98.9800	4.13	+0.02	–0.01	–0.17	–0.88
Canada	12/00	5.000	100.2516	4.83	+0.11	+0.22	–0.11	–0.26
	06/08	6.000	105.5500	5.22	+0.06	+0.21	+0.08	–0.12
Denmark	11/00	9.000	108.7000	3.06	–0.02	–0.04	–0.33	–1.36
	11/09	6.000	114.5800	4.25	+0.03	+0.04	–0.20	–0.94
Finland	06/00	4.000	101.4800	2.64	–0.01	–0.08	–0.35	–1.15
	04/09	5.000	107.4300	4.08	+0.05	+0.02	–0.19	–0.84
France	07/00	4.000	101.5800	2.62	-	–0.04	–0.34	–1.48
	04/06	7.250	122.8200	3.51	+0.04	–0.01	–0.28	–1.20
	04/09	4.000	100.1500	3.98	+0.04	-	–0.21	–0.97
	04/29	5.500	108.5700	4.89	+0.04	–0.03	–0.20	–0.57
Germany	05/01	5.000	104.5000	2.71	-	–0.06	–0.29	–1.28
	01/06	6.000	114.1000	3.58	+0.02	–0.04	–0.25	–1.17
	01/09	3.750	99.1100	3.86	+0.03	-	–0.18	–1.08
	07/28	4.750	98.3800	4.86	+0.05	–0.02	–0.16	–0.61
Greece	03/00	8.800	100.4600	8.18	–0.21	+0.15	+0.15	–0.71
	01/09	6.300	102.7500	5.92	+0.04	+0.08	–0.08	–2.12
Ireland	10/01	6.500	108.6300	2.83	+0.02	–0.04	–0.30	–2.11
	08/08	8.000	115.9200	3.82	+0.04	–0.06	–0.28	–1.17
Italy	07/01	4.500	103.4500	2.84	+0.01	–0.05	–0.29	–1.70
	07/03	4.500	105.0400	3.21	+0.02	–0.05	–0.24	–1.55
	05/09	4.500	103.2800	4.10	+0.04	+0.02	–0.17	–1.01
	11/27	6.500	121.2500	5.08	+0.04	–0.01	–0.16	–0.62
Japan	12/00	6.900	110.8770	0.16	+0.02	+0.02	–0.04	–0.37
	12/03	4.100	115.8710	0.62	–0.02	–0.08	–0.19	–0.48
	06/08	1.800	103.9250	1.34	–0.04	–0.10	–0.30	–0.24
	09/18	2.300	100.2550	2.28	–0.03	–0.08	–0.22	–0.16
Netherlands	01/01	9.000	110.3000	2.72	-	–0.04	–0.30	–1.37
	07/09	3.750	97.7500	4.02	+0.04	-	–0.17	–0.89
New Zealand	02/01	8.000	105.4853	4.72	–0.02	+0.02	–0.17	–2.89
	07/09	7.000	109.4634	5.76	–0.02	-	–0.04	–1.03
Norway	06/01	7.000	104.5000	4.67	+0.02	+0.01	–0.15	+0.18
	05/09	5.500	108.5500	4.67	-	–0.07	–0.21	–0.86
Portugal	03/00	5.375	102.2700	2.74	+0.02	-	–0.25	–1.42
	06/08	5.375	109.4300	4.11	+0.02	–0.02	–0.19	–0.93
Spain	01/01	5.000	103.9200	2.67	-	–0.06	–0.31	–1.54
	07/09	0.000	107.1900	4.13	+0.04	–0.01	–0.41	–0.92
Sweden	05/00	10.250	107.0765	3.00	–0.01	–0.01	–0.10	–1.66
	05/08	6.500	116.8120	4.22	+0.03	+0.03	–0.21	–0.87
Switzerland	06/00	4.500	103.8100	1.18	–0.01	+0.05	–0.21	–0.74
	01/08	4.250	115.4000	2.27	+0.01	+0.03	+0.01	–0.86
UK	11/01	7.000	104.8600	5.01	+0.04	+0.10	+0.23	–1.55
	12/03	6.500	107.1800	4.75	+0.04	+0.07	+0.13	–1.14
	12/09	5.750	108.9300	4.56	+0.04	+0.05	+0.01	–1.25
	12/28	6.000	124.2700	4.51	+0.04	-	–0.01	–1.24
US	01/01	4.500	99.1029	5.04	-	+0.06	+0.02	–0.58
	02/04	4.750	98.2397	5.17	+0.05	+0.10	+0.07	–0.55
	11/08	4.750	95.9810	5.29	+0.04	+0.11	+0.09	–0.43
	02/29	5.250	94.4915	5.63	+0.03	+0.09	+0.03	–0.35

London closing * New York mid-day. Source: Interactive Data/FT Information

Yields: Local market standard/annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.20	96.01	–0.30	96.27	95.85	19,660	86,495
Sep	-	95.89	–0.24	-	-	0	0

[illegible]

Germany

[illegible]

Italy

[illegible]

Spain

[illegible]

UK

[illegible]

US

[illegible]

Japan

[illegible]

Euro

[illegible]

INTEREST RATE SWAPS

[illegible]

US CORPORATE BONDS

Apr 23	Red date	Coupn	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	104.4664	5.68	-	–0.04	+5.68
NY Tel	08/25	7.00	A+	98.0758	7.16	-	+0.09	+1.57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

Apr 26	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
US $								
EIB	04/07	7.250	AAA	108.1374	5.94	+0.03	+0.10	+0.70
ABN Amro	06/07	7.125	AA–	103.6389	6.53	+0.03	+0.12	+1.29
Quebec	01/07	7.000	A+	105.0406	6.17	+0.03	+0.12	+0.93

[illegible]

UK BONDS

FTSE Actuaries Government Securities

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Euro weakens as markets wait for G7

MARKETS REPORT

By Christopher Swann and Alan Beattie

A flurry of comments by German officials further depressed the euro yesterday in thin trading ahead of the outcome of the G7 meeting.

While warning against a policy of neglect, Hans Tietmeyer, president of the Bundesbank, said the present level of the euro against the dollar was appropriate. His remarks were echoed by Hans Eichel, Germany's new finance minister, who said the euro's decline was a process of "normalisation" which was not a matter of concern.

By the end of the London session the euro had fallen to $1.060, near its lifetime lows.

The comments dampened speculation that the European Central Bank thought the current level of the euro was too low. This view had been fostered by recent remarks from Dominique Strauss-Kahn, France's finance minister, and Sirkka Hamalainen, a member of the ECB's executive board.

"Conflicting statements are sending a confusing message to the market," said David Bloom, currency strategist at HSBC in London. "They are chipping away at the ECB's credibility and will diminish their capacity for verbal intervention." Meanwhile the dollar spiked higher against the yen after Kiichi Miyazawa, Japan's finance minister, reportedly told the US at the G7 meeting that Japan needed no extra budget.

But trading yesterday was lethargic. Expectations of significant policy announcements from the G7 were dampened by comments from Robert Rubin, US Treasury secretary. "Our statements will be sufficiently elliptical and will provide no guidance to anybody," he said.

■ Commodity currencies continued to edge away from recent peaks yesterday, with the Australian dollar sliding to $0.648. Some analysts said the market was entering a period of reflection as it waited for commodity prices to justify the currencies' recent rally.

In recent days there has been little sign of this. The CRB index touched a one-week low on Friday.

But Ravi Bulchandani, senior economist at Morgan Stanley Dean Witter in London, suggested that the rally in commodity currencies could be stronger than previously expected.

Citing George Soros' reflexivity theory, he argued that "even if growth expectations are currently too high to justify current market valuations, market action itself may generate higher growth and so justify recent price movements."

But Brian Martin, currency strategist at Barclays Capital in London, was sceptical, suggesting that the broad Asian recovery on which the Australian dollar's strength had been based was unlikely to materialise.

■ Expected capital flows related to merger and acquisition activity drove the pound higher against the dollar yesterday, but it later slipped back amid the general torpor.

In the absence of domestic data, attention focused on reports of an agreement by the US company Global Crossing to buy part of Cable and Wireless for $885m.

"Because of the dearth of data and the lack of expectations that anything coming out of the G7 would drive the currency markets, we were looking to the equity markets," said Jeremy Stretch, currency strategist at NatWest GFM in London.

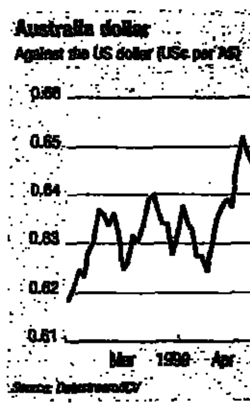
■ Deutsche Bank yesterday announced the appointment of Michael Rosenberg, formerly managing director of fixed income research at Merrill Lynch, as their new global head of foreign exchange research.

Mr Rosenberg is a familiar figure in the currency markets, having worked for Merrill Lynch for fifteen years and authored several works about foreign exchange economics and forecasting. Most recently he has gained attention for being one of the few currency strategists accurately to predict the poor performance of the euro against the dollar in the first few months of this year.

As well as leading research, he will sit on Deutsche's forex business management committee.

Australia dollar

Against the US dollar (USc per A$)



Source: Datastream/ICV

■ **POUND IN NEW YORK**

Apr 26	—Close—	– Prev. close –
£ spot	1.8465	1.6155
1 mth	1.8459	1.6149
3 mth	1.8453	1.6141
1 yr	1.8461	1.6144

■ **OTHER CURRENCIES**

Apr 26	£	$
Czech Rp	57.3611 - 57.4335	35.5750 - 35.6000
Hungary	380.510 - 381.078	235.990 - 236.210
Iran	4839.90 - 4837.20	3000.00 - 3000.00
Kuwait	0.4911 - 0.4930	0.3046 - 0.3058
Peru	5.3983 - 5.4062	3.3480 - 3.3510
Poland	6.4415 - 6.4532	3.9950 - 4.0000
Russia	39.5360 - 39.6388	24.5200 - 24.5700
U.A.E.	5.9220 - 5.9258	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.9322	+0.0312	214 - 429	20.9980	20.9061	20.8847	2.7	20.7942	2.6	20.4061	2.5	102.2
Belgium*	(BFr)	61.3650	+0.0915	334 - 966	61.5580	61.2890	61.2257	2.7	60.9605	2.6	59.8225	2.5	101.5
Denmark	(DKr)	11.3072	+0.0185	008 - 136	11.3447	11.2929	11.2864	2.2	11.2452	2.2	11.0738	2.1	104.8
Finland*	(FM)	9.0447	+0.0135	400 - 493	9.0730	9.0338	9.0242	2.7	8.9851	2.6	8.8174	2.5	80.3
France*	(FFr)	9.9784	+0.0149	733 - 835	10.0099	9.9659	9.9557	2.7	9.9126	2.6	9.7275	2.5	104.7
Germany*	(DM)	2.9752	+0.0044	737 - 767	2.9856	2.9707	2.9684	2.7	2.9556	2.6	2.9004	2.5	102.3
Greece	(Dr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.9784	+0.0518	753 - 814	12.9937	12.9497	12.9538	2.3	12.903	2.3	12.6561	2.5	101.6
Belgium*	(BFr)	38.0476	+0.1519	386 - 565	38.0920	37.9630	37.9753	2.3	37.8264	2.3	37.1028	2.5	101.5
Denmark	(DKr)	7.0107	+0.0290	087 - 127	7.0155	6.9985	7.0004	1.8	6.9777	1.9	6.8681	2.0	103.8
Finland*	(FM)	5.6079	+0.0224	065 - 092	5.6145	5.5955	5.5972	2.3	5.5753	2.3	5.4687	2.5	79.6
France*	(FFr)	6.1869	+0.0247	854 - 883	6.1941	6.1731	6.1751	2.3	6.1509	2.3	6.0332	2.5	104.1
Germany*	(DM)	1.8447	+0.0074	443 - 451	1.8469	1.8408	1.8412	2.3	1.834	2.3	1.7989	2.5	102.0

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 26: BFr, DKr, FFr, DM, I£, L, Fl, NKr, Es, Pta, SKr, SFr, £, C$, $, Y, €

■ D-MARK FUTURES (CME) DM 125,000 per DM

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8434	0.8457	+0.0024	0.8463	0.8431	10,341	85,800
Sep	–	0.8539	–	–	–	101	2,100
Dec	–	0.8644	–	–	0.8633	19	1,554

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6128	1.6130	–0.0006	1.6168	1.6126	6,955	63,648
Sep	1.6130	1.6130	–0.0002	1.6140	1.6130	23	1,202
Dec	–	1.6134	–	–	–	1	30

UK INTEREST RATES

LONDON MONEY RATES

EMS EUROPEAN CURRENCY UNIT RATES

Apr 26	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	326.40	+0.2	–7.56	7.79	51
Denmark	7.46038	7.4335	+0	–0.36	0.00	2
NON ERM MEMBERS						
UK	0.653644	0.6569	–0.0014	0.50	–0.85	–

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
1.600	1.85	2.33	2.86	0.49	1.04	1.60
1.610	1.22	1.75	2.36	0.85	1.45	2.03
1.620	0.75	1.32	1.88	1.38	1.93	2.51

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 876 Puts 919

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	Jun	Jul	PUTS Jul	Jun	Jul
0.540	0.63	0.93	1.22	0.33	0.55	0.71
0.550	0.23	0.47	0.72	0.88	1.08	1.23

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 158 Puts 355

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.00	94.99	–0.01	95.00	94.99	22,767	454,890
Sep	94.89	94.86	–0.03	94.91	94.88	60,957	525,393
Dec	94.61	94.58	–0.03	94.63	94.58	33,377	368,523

■ US TREASURY BILL FUTURES (CME) $1m per 100%

Jun	95.63	95.63	–0.03	95.63	95.63	461	1,490

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
94750	0.145	0.225	0.220	0.045	0.095	0.330
94875	0.070			0.095		
95000	0.030	0.100	0.130	0.180	0.220	0.490
95125	0.020			0.295		
95250	0.010	0.040	0.070	0.410	0.410	0.680
95375	0.005			0.530		

Est. vol. total, Calls 13775 Puts 2600. Previous day's open int., Calls 474884 Puts 586588

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Exeter Trust Limited	6.25	Smith & Williamson	5.25
Allied Irish Bank (GB)	5.25	●Robert Fleming & Co	5.25	Sun Bank	5.25
●Henry Ansbacher	5.25	Habib Bank AG Zurich	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.25	C. Hoare & Co	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●SG Hambros Bank & Trust	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Hongkong & Shanghai	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	Investec Bank (UK) Ltd	5.25		
Barclays Bank	5.25	Julian Hodge Bank	5.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.25		
●Brown Shipley & Co Ltd	5.25	Lloyds Bank	5.25		
Citibank NA	5.25	Midland Bank	5.25		
Clydesdale Bank	5.25	NatWestminster	5.25		
The Co-operative Bank	5.50	●Rea Brothers	5.25		
Coutts & Co	5.25	Royal Bk of Scotland	5.25		
Cyprus Popular Bank	5.25	Scottish Widows Bank	5.50		
Duncan Lawrie	5.25	●Singer & Friedlander	5.25		

WORLD INTEREST RATES

MONEY RATES

Apr 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	2¼	2½	2⅝	2⅝	2¾	–	2.50	3.00
Switzerland	⅝	⅝	⅝	1	1⅛	–	1.00	–
US	4⅞	4⅞	4⅞	5	5⅛	–	4.50	–
Japan	⅛	⅛	⅛	⅛	⅛	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	4⅞	5	5⅛	5⅛	–	–	–
US Dollar CDs	–	4.75	4.78	4.81	4.96	–	–	–
Euro Linked Ds	–	3⅛	3⅛	3⅛	3⅛	–	–	–
SDR Linked Ds	–	3⅛	3¼	3⅛	3⅛	–	–	–
BBA Euro Libor	–	2⅝	2⅝	2⅝	2⅝	–	–	–
Euro Euribor	–	2.574	2.591	2.611	2.681	–	–	–
EONIA	2.53	–	–	–	–	–	–	–
EURONIA	2.5231	–	–	–	–	–	–	–

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Apr 26	Short term	7 days notice	One month	Three months	Six months	One year
Euro	2⅝ - 2½	2⅝ - 2⅝	2⅝ - 2½	2¾ - 2⅝	2⅝ - 2⅝	2⅞ - 2¾
Danish Krone	3⅝ - 3⅛	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞
Sterling	5⅛ - 5⅛	5⅝ - 5⅛	5⅝ - 5⅛	5⅝ - 5⅛	5⅛ - 5⅛	5¾ - 5¼
Swiss Franc	⅝ - ⅝	1⅛ - 1	⅞ - ⅝	1 - ⅞	1⅛ - ⅞	1⅛ - 1⅛
Canadian Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4¾ - 4¾	4¾ - 4¾	4⅞ - 4⅞
US Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4¾	5⅛ - 4⅞	5⅛ - 5⅛
Japanese Yen	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛
Asian $Sing	⅝ - –	⅝ - ¾	1⅛ - ⅞	1⅛ - 1	1½ - 1⅛	2⅛ - 1⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.410	97.400	–0.010	97.410	97.400	2,286	41,020
Sep	97.425	97.415	–0.010	97.425	97.415	1,589	31,980

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.405	97.405	-	97.405	97.395	17850	207268
Sep	97.425	97.420	-0.005	97.430	97.410	18719	215387
Dec	97.235	97.225	-0.015	97.240	97.220	6582	132480
Mar	97.300	97.285	-0.020	97.305	97.275	5197	119825

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

COMMODITIES & AGRICULTURE

Rubber meeting leaves Inro in limbo

By Paul Solman in London and Sheila McNulty in Kuala Lumpur

The international pact on natural rubber prices looks certain to fall apart after members failed to find a formula to keep key producers on board.

The International Natural Rubber Organisation (Inro), which includes leading producing and consuming countries, met in Kuala Lumpur last week in an effort to stop Thailand and Malaysia from leaving the organisation.

Both countries – the world's largest and third largest natural rubber producers – have criticised Inro for failing to support prices, which have fallen more than 30 per cent since the beginning of last year.

Their resignation would deny Inro a large part of its funding, which is used to buy rubber to support the market, effectively spelling the end of the organisation as a viable force.

However, no deal was reached – largely because Inro's rubber-producing members had failed to pay their contributions and were therefore ineligible to vote.

"The meeting leaves Inro in limbo," a rubber trader said yesterday. "It's very frustrating that they didn't do anything decisive, and it's no help to the market."

Inro did agree to reduce its reference price by 5 per cent to 204.20 Malaysian/Singapore cents/kg from the previous level of 214.95. The price, denominated in a hybrid currency of the Malaysian ringgit and the Singapore dollar, is used to determine when Inro intervenes.

It also considered a proposal to denominate the reference price in a single currency, the Singapore dollar, and issues arising from the withdrawal of Malaysia, including the location of its headquarters.

It is due to meet again in September, only a month before Malaysia's resignation takes effect. Thailand is scheduled to leave in March 2000.

Industry insiders are sceptical that anything can be done to prevent the break-up of the organisation.

"Inro thinks it has bought itself some time, but there's nothing it can do in the market because it has no money," a trader said. "It has been calling for offers in the market recently but it's unable to buy anything because it doesn't have the money."

Inro did not return messages left yesterday.

Meanwhile, Thailand and Malaysia are said to be considering measures to support their internal rubber markets, including banning imports.

"They're due to meet next month to talk about co-operation but that is not likely to help international prices," a trader said.

Canadian gas producers look to the south

New pipelines mean producers can find the best price on the continent at which to deliver, says **Edward Alden**

For several years, the holy grail for Canadian natural gas producers has been the impending completion of three pipelines to carry gas from western Canada to customers in the US midwest and north-east.

Canadian gas companies have long been unable to take advantage of higher US prices because of limited export capacity. Instead, they have had to sell into the much smaller Canadian market, where intense domestic gas competition has kept prices 30 to 50 per cent lower than US prices.

That situation is finally changing. The expansion of two pipelines completed last year, the Northern Border and TransCanada lines, has added 1.1bn cubic feet per day, or 15 per cent, to Canada's export capacity.

The Alliance pipeline, which runs from north-eastern British Columbia and Alberta directly to Chicago, is scheduled for completion in October 2000 and will add a further 1.3bn cubic feet of capacity.

For 30 years, Canadian gas has been discounted because of surplus domestic demand, says Gwyn Morgan, chief executive of Alberta Energy Company, Canada's largest independent natural gas producer. "Now the commodity in surplus supply is pipeline transportation, and gas has moved to a premium."

The numbers bear out that conclusion. While AEC's realised gas prices were up only slightly in the first quarter of this year due to a mild US winter at C$2.04 (US$1.38) per thousand cubic feet, its contracts for delivery next winter are selling at an average C$3.10.

The traditional differential between higher US gas prices and lower Canadian prices has shrunk by almost 80 per cent in the last year, largely due to the improved pipeline capacity. Canadian spot prices are up by 30 to 40 per cent over the same period a year ago.

"The long-term fundamentals are in place," says John Clarke, oil and gas analyst at Deutsche Bank Securities in Toronto. "With any kind of normal winter, things will get pretty exciting."

While such a positive outlook, coupled with the recent strengthening of oil prices, ought to be nothing but good news for Canada's energy companies, the picture is not quite so clear.

Canadian oil and gas producers had been expecting higher gas prices this year, and have tried to accelerate their gas drilling programmes. But the cash crunch caused by last year's low prices has left few companies able to do so.

Oil and gas drilling in the first quarter of 1999 was down by 38 per cent from the same period last year, according to First Energy Capital, the Calgary brokerage. In the US, the picture is much the same.

In the absence of another unusually mild winter, drilling constraints across North America are expected to lead to supply problems later this year.

First Energy is forecasting US demand will exceed supply, including domestic production and imports, by a minimum of 1.8bn cubic feet per day in 2000, resulting in "potentially much higher US natural gas prices".

All of this is good news for the few companies that possess the rare combination of significant gas properties and strong cash flow.

AEC, which has the largest storage facilities in Alberta, is busy accelerating its gas production while also stockpiling for delivery later this year.

Its first-quarter deliveries were 910m cubic feet per day, up from an average 717m in 1998, and the company is planning to build inventory over the summer with a goal of delivering more than 1bn cubic feet per day in the fourth quarter and next year.

Poco Petroleums has also followed a gas-oriented drilling programme, and is expected to increase production about 10 per cent to 550m cubic feet per day this year.

The company's cash flow dropped only 1 per cent last year, despite low prices, and it even managed to raise C$170m on the capital markets.

The cash crunch is also likely to accelerate takeovers in the sector, as companies with stronger cash positions acquire weaker competitors that lack the resources to accelerate their drilling programmes.

Last year AEC paid C$777m for Amber Energy, which produces 100m cubic feet of gas per day, while Poco made several smaller gas-oriented acquisitions.

US energy companies are looking north too, continuing an acquisition and investment spree that began two years ago. Unocal bought a stake in gas producer Northrock Resources last week, which will allow Northrock to increase exploration and development spending by one-third. Duke Energy has bought two gas gathering and processing facilities this year.

However the money is raised, Canadian companies now have some assurance that if they can extract the gas, they can find the best price on the continent at which to deliver.

"Canadian gas companies," says Gwyn Morgan, "have truly entered a new era of unrestrained access to US markets."

Natural gas prices
(US$)

	Mar 1998	Mar 99	Q1 98	Q1 99	YTD 98	YTD 99
Henry Hub, Louisiana (Mmbtu)*	2.25	1.80	2.18	1.81	2.21	1.82
Alberta Border at Empress (Mcf)**	1.43	1.67	1.29	1.67	1.34	1.66

Source: First Energy Capital Corporation * Per million British thermal unit ** Per thousand cubic feet

Gold slips on New York fund selling

MARKETS REPORT

By Gillian O'Connor and Paul Solman

Gold slipped to $281.50 an ounce in London yesterday afternoon, $2 below Friday's close, and below the $282.50 to $285 range within which it has been trading recently.

Traders said the move was the result of selling by funds in New York, after the weekend suggestion that International Monetary Fund gold sales would total 10m ounces.

Analysts pointed out that there had been no change in the fundamentals.

Even if gold sales are discussed at today's interim IMF meeting, no actual decision to sell will be taken before the autumn meeting. Also, the market has long been taking it for granted that a sale will be approved, and figures of both 5m and 10m ounces have already been mentioned.

On the base metals markets, comment from US copper producer Phelps Dodge that it could see no fundamental reason for the metal's recovery depressed sentiment on the London Metal Exchange.

Crude oil prices slipped below $15.50 on the International Petroleum Exchange in London, with no fundamental news to spur the market, but recovered somewhat in late trading. Brent blend for June delivery was $15.62 a barrel, against Friday's close of $15.89.

The price broke through $16 a barrel last week for the first time since the middle of last year, marking a 45 per cent rise since the beginning of the year.

Cocoa dropped to another six-year low on the London International Financial Futures and Options Exchange, the May contract ending at £686, down £11 from Friday's close.

FIBRES DRY SPELL HITS INDIA, BANGLADESH

Jute crops under threat from drought

By Kunal Bose in Calcutta

A worldwide shortage of jute during the 1999-2000 growing season, which runs from July to June, looks likely as a result of a severe drought that has hit soil preparation and sowing work in India and Bangladesh, the two largest producers of the commodity.

The situation is expected to become critical if there is not more rain in jute growing areas for a prolonged period.

As the crop prospects for next season are uncertain, raw jute prices have continued to firm. In one month, the price of benchmark grade TD-4 has risen nearly 10 per cent to Rs10,150 ($237) a tonne.

"Traders are not in a hurry to sell as the inevitable delay in the arrival of the next crop will lift jute prices further," said an official of the Indian Jute Balers' Association.

"The alarm bells have sounded as southern parts of West Bengal, which account for nearly half of India's jute crop, have had a dry spell since December 1998," said DJ Wadhwa, managing director of Champdany, India's biggest producer of jute goods.

"The adjoining areas in Bangladesh are also experiencing drought. I hope there will be a few showers by the first week of May. The damage will then be controlled to some extent," said Mr Wadhwa.

Sowing of jute in Assam and the northern region of West Bengal, which together grow approximately 25 per cent of the Indian crop, have been less affected by comparison.

However, Orissa, Bihar and Andhra Pradesh, India's other three jute-growing states, are still suffering from drought.

Trade officials say India and Bangladesh will open the 1999-2000 season with much lower stocks of fibre, and that larger quantities of new jute will only come on to the market from mid-August, making it difficult for the factories to build normal inventories of the raw material.

India is expected to start the next season with stocks of about 1.2m bales of jute of 180 kg each, compared with 3m bales on July 1 1998.

Bangladesh's opening stocks are forecast to fall to less than 800,000 bales from more than 2m bales last year.

The more affluent Indian mills have decided to import large quantities of raw jute from Bangladesh, which always has a big export surplus.

Trade officials say that China, which has poor stocks of raw jute, as well as Pakistan, Brazil, Ivory Coast and European countries, will also be big buyers of Bangladeshi fibre next season.

India's production in the current year has fallen to less than 8m bales from 11.15m bales in 1997-98. The crop in Bangladesh has dropped from 6.9m bales in 1997-98 to 4m bales in this season.

"It is still early to make a forecast of the next crop in India and Bangladesh," said Mr Wadhwa. "The problem with jute is that it is almost totally dependent on rain water. This is the reason why there is such wild fluctuation in the crop," he added.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1291-92	1314-15
Previous	1291-92	1314-15
High/low		1314/1305
AM Official	1282.5-83	1306-06.5
Kerb close		1311-12
Open int.	303,488	
Total daily turnover	41,479	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1170-75	1191-93
Previous	1167-72	1187-88
High/low		1195/1183
AM Official	1160-64	1182-84
Kerb close		1193-94
Open int.	8,828	
Total daily turnover	1,694	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	527.5-8.5	534-5
Previous	529-30	535-36
High/low		536/532
AM Official	527-8	533.5-4
Kerb close		534-5
Open int.	40,539	
Total daily turnover	9,988	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5165-75	5245-50
Previous	5140-50	5220-25
High/low		5260/5200
AM Official	5170-80	5215-20
Kerb close		5230-35
Open int.	70,365	
Total daily turnover	15,648	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5440-50	5475-80
Previous	5435-45	5465-70
High/low		5490/5450
AM Official	5440-45	5465-70
Kerb close		5460-65
Open int.	21,059	
Total daily turnover	7,119	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1045-46	1064-65
Previous	1035.5-6.5	1055-56
High/low		1066/1050
AM Official	1036.5-37	1055-55.5
Kerb close		1062-62.5
Open int.	33,267	
Total daily turnover	24,587	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1513-14	1543-44
Previous	1523.5-4.5	1553-54
High/low		1548/1526
AM Official	1499-99.5	1529-29.5
Kerb close		1543-44
Open int.	185,803	
Total daily turnover	62,140	

■ LME AM Official £/$ rate: 1.6141
LME Closing £/$ rate: 1.6125

Spot: 1.6115 3 mths: 1.6102 6 mths: 1.6101 9 mths: 1.6103

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	69.15	-0.40	69.15	68.45	250	370
May	69.35	-0.35	69.55	68.40	3,672	18,889
Jun	69.85	-0.35	69.85	69.00	45	2,432
Jul	70.30	-0.35	70.45	69.40	6,670	29,712
Aug	70.65	-0.35	70.55	70.55	11	1,562
Sep	71.00	-0.35	71.10	70.40	58	5,670
Total					11,028	72,981

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	280.70-281.20		
Opening	283.20-283.50		
Morning fix	283.10	175.40	266.45
Afternoon fix	281.50	174.46	265.32
Day's High	283.30-283.60		
Day's Low	280.50-280.80		
Previous close	283.20-283.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.24	6 months	4.11
2 months	4.20	12 months	3.71
3 months	4.17		

Silver Fix	p/troy oz.	US cts equiv.
Spot	318.77	514.50

Silver Lending Rates

1 month	2.20	6 months	1.10
2 months	1.60	12 months	0.40
3 months	1.40		

Gold Coins	$ price	£ equiv
Krugerrand	285-289	177-179
New Sovereign	67-71	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	281.3	-2.3	280.5	280.5	51	113
May	281.5	-2.4			-	47
Jun	282.6	-2.3	285.3	281.7	12,619	126.0k
Aug	284.5	-2.3	286.4	283.5	217	10,576
Oct	286.5	-2.3	287.6	286.8	250	4,276
Dec	288.4	-2.3	290.8	287.5	168	15,889
Total					14,763	198,094

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	354.2	-0.9	-	-	6	-
Jul	355.2	-0.9	359.0	354.0	862	9,589
Oct	355.9	-1.2	357.0	355.0	18	1,474
Jan	356.6	-1.2	-	-	-	140
Total					880	11,313

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	349.75	-6.20	355.95	349.00	480	2,536
Sep	346.75	-6.20	350.00	350.00	27	293
Dec	339.75	-6.20	-	-	-	126
Mar	336.75	-6.20	-	-	-	15
Total					507	2,970

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	510.9	-4.6	-	-	14	46
May	510.9	-4.5	514.0	505.5	7,943	24,745
Jul	511.8	-4.6	516.5	507.0	4,321	32,470
Sep	513.7	-4.4	517.0	508.0	30	6,511
Dec	515.4	-4.3	518.0	510.0	47	10,893
Jan	514.8	-4.3	-	-	-	16
Total					12,386	84,081

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	17.55	-0.39	17.99	17.45	59,722	170.0k
Jul	17.33	-0.33	17.55	17.23	17,642	83,944
Aug	17.08	-0.31	17.30	16.98	4,076	44,703
Sep	16.85	-0.28	17.04	16.75	2,494	23,951
Oct	16.60	-0.29	16.72	16.60	1,504	24,400
Nov	16.45	-0.22	16.49	16.38	1,588	24,695
Total					98,527	588,940

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	15.57	-0.32	15.85	15.47	21,802	104.8k
Jul	15.40	-0.29	15.62	15.32	12,893	53,843
Aug	15.26	-0.29	15.44	15.20	3,212	24,284
Sep	15.11	-0.30	15.30	15.09	1,688	14,259
Oct	15.05	-0.23	15.18	15.01	484	8,309
Nov	14.94	-0.21	15.04	14.91	433	5,904
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	42.65	-0.77	43.35	42.20	13,418	23,104
Jun	43.00	-0.82	43.70	42.60	13,205	37,382
Jul	43.50	-0.67	44.00	43.10	4,423	24,119
Aug	44.00	-0.67	44.30	43.80	3,923	18,831
Sep	44.75	-0.57	44.90	44.55	854	9,909
Oct	45.40	-0.57	45.50	45.25	553	8,014
Total					44,408	176,581

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Vol	Open int
May	128.50	-4.00	131.25	128.00	11,613	36,721
Jun	130.50	-3.00	132.50	129.25	6,897	27,302
Jul	132.00	-3.00	133.25	130.50	2,580	12,728
Aug	133.00	-3.25	134.75	132.25	1,148	8,586
Sep	134.75	-3.00	138.00	134.00	1,199	7,887
Oct	136.75	-2.50	137.50	135.50	811	4,120
Total					18,008	148,041

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
May	9.270	+0.030	9.270	9.240	150	1,625
Jun	9.230	+0.010	9.230	9.230	25	1,615
Total					n/a	n/a

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.255	+0.029	2.265	2.185	28,017	41,676
Jun	2.285	+0.032	2.300	2.210	18,085	55,024
Jul	2.305	+0.034	2.310	2.230	2,789	25,576
Aug	2.310	+0.029	2.320	2.250	2,396	19,273
Sep	2.320	+0.036	2.320	2.255	1,373	21,818
Oct	2.340	+0.033	2.340	2.280	1,526	17,087
Total					65,383	335,887

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	51.45	-1.27	52.45	51.00	16,414	24,386
Jun	51.90	-1.26	53.50	51.45	11,580	37,585
Jul	52.10	-1.12	52.85	51.70	2,962	25,499
Aug	51.70	-1.02	52.55	51.40	1,649	8,521
Sep	50.90	-0.94	51.15	50.75	644	5,993
Oct	50.19	-	-	-	144	2,980
Total					33,458	112,357

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	76.10	-0.40	76.00	75.75	83	1,318
Jul	77.10	-0.40	77.00	77.00	49	2,909
Sep	74.50	-	-	-	-	168
Nov	76.50	-0.10	76.50	76.25	106	3,257
Jan	78.50	-	-	-	-	677
Mar	80.00	-	-	-	-	124
Total					248	8,492

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	252.75	-2.25	253.00	251.00	4,369	20,930
Jul	263.00	-2.75	265.50	262.00	12,984	66,382
Sep	273.50	-2.00	275.25	272.25	953	7,398
Dec	287.50	-2.50	290.75	286.00	1,298	17,726
Mar	297.50	-3.25	298.50	297.00	106	4,170
May	303.50	-4.00	-	-	1	21
Total					19,713	117,112

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	216.25	-4.00	220.25	216.00	20,854	83,810
Jul	221.50	-4.25	225.50	221.00	20,717	132,759
Sep	227.25	-4.50	231.50	226.25	1,502	28,884
Dec	234.75	-5.25	240.75	234.00	6,437	94,712
Mar	244.25	-4.75	249.25	243.25	285	15,206
May	248.50	-4.50	249.75	248.00	34	1,627
Total					49,878	343,375

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.75	-0.25	74.75	74.75	11	70
Sep	73.00	-	-	-	-	45
Nov	75.00	-	75.00	75.00	17	460
Jan	77.00	-	-	-	-	20
Mar	79.00	-	-	-	-	-
Total					28	595

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	481.00	-4.25	485.00	478.25	11,145	34,706
Jul	489.50	-4.00	494.75	487.50	19,779	61,264
Aug	492.75	-4.50	497.00	491.00	1,291	16,732
Sep	495.50	-5.00	499.00	493.75	217	8,902
Nov	504.50	-4.50	509.25	501.50	3,421	41,948
Jan	514.50	-5.75	517.00	512.50	124	2,636
Total					36,815	169,135

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	19.76	-0.13	20.08	19.58	4,007	21,275
Jul	20.05	-0.12	20.40	19.90	7,233	49,940
Aug	20.19	-0.09	20.51	20.04	627	9,924
Sep	20.32	-0.09	20.60	20.18	157	7,952
Oct	20.43	-0.08	20.70	20.35	246	6,347
Dec	20.73	-0.06	21.00	20.56	1,156	25,564
Total					13,684	138,795

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	130.0	-1.0	130.5	128.6	9,513	26,654
Jul	131.8	-1.0	132.1	130.0	10,785	39,067
Aug	133.1	-0.7	133.5	131.5	1,638	12,361
Sep	134.7	-0.8	135.0	132.9	1,065	9,866
Oct	135.8	-0.9	136.0	134.0	136	5,608
Dec	138.9	-1.2	140.3	137.0	1,178	17,099
Total					24,348	112,546

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	170.0	-	-	-	-	49
Jun	170.0	+10.0	-	-	-	-
Nov	75.0	-	-	-	-	3
Mar	100.0	-	-	-	-	-
Apr	110.5	-7.5	114.9	110.5	79	391
Total					79	449

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	989	+7	-	-	-	959
May	1015	+5	1025	1010	19	526
Jun	930	+5	935	930	4	6
Jul	910	+10	915	910	8	583
Oct	1000	-	-	-	-	456
Total					31	2,581

	Close	Prev
BFI	972	959

PULP AND PAPER

■ PULPEX OMLX (US$, 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	469.00	-2.00	-	-	-	547
Sep	481.00	+1.50	491.00	489.00	5	172
Total					26	721

FUTURES DATA
All futures data supplied by CMS.

Minor Metals from Metal Bulletin
European free market, $ per pound in warehouse. **Antimony:** 99.65%, $ per tonne, 1,210-1,290 (1,230-1,340). **Bismuth:** MB Free Mkt. 3.45-3.55 (3.35-3.50). **Cadmium:** min. 99.95%, cents a pound, 20-24. **Cobalt:** $ per pound, min. 99.8%, 15.60-18.50, min. 99.3%, 13.10-14.10 (13.20-14.30). **Mercury:** min. 99.99%, $ per 76 pound flask, 135-143. **Molybdenum:** drummed molybdic oxide, 2.53-2.58 (2.60-2.68). **Selenium:** min. 99.5%, 1.70-2.60. **Tungsten ore:** $ per tonne, 33-44. **Uranium:** Nuexco, unrestricted exchange value 8.50. **Vanadium:** min. 98%, 1.95-2.08 (1.95-2.05).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	685	-12	702	685	3,803	18,576
Jul	713	-8	728	713	3,680	23,569
Sep	735	-10	752	734	1,683	33,379
Dec	763	-10	779	763	454	28,002
Mar	790	-10	804	788	304	18,381
May	813	-11	830	813	418	17,287
Total					10,625	172,806

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	949	-31	1002	946	183	328
Jul	994	-32	1038	992	3,237	30,190
Sep	1026	-32	1070	1025	1,123	11,968
Dec	1069	-33	1112	1068	101	7,272
Mar	1112	-33	1150	1114	125	8,682
May	1139	-33	1150	1139	1	4,234
Total					5,067	83,597

■ COCOA (ICCO) (SDR's/tonne)

Apr 23	Price	Prev. day
Daily	839.27	853.15

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1438	-5	1439	1420	2,327	19,432
Jul	1430	-2	1431	1410	3,678	25,990
Sep	1438	-2	1438	1420	645	10,132
Nov	1452	-2	1454	1436	392	3,058
Jan	1456	-2	1452	1438	114	1,107
Mar	1460	-2	-	-	13	202
Total					7,356	59,928

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	99.25	+1.75	100.25	98.00	1,347	2,952
Jul	99.95	+1.40	101.50	98.50	6,219	24,609
Sep	101.60	+1.35	103.00	100.50	1,307	9,308
Dec	103.80	+1.10	104.90	103.00	396	5,078
Mar	105.60	+0.90	106.50	105.00	190	2,166
May	107.40	+0.90	108.00	107.00	25	421
Total					9,486	44,984

■ COFFEE (ICO) (US cents/pound)

Apr 26		Prev. day
Comp. daily	83.17	84.13
15 day average	85.75	86.30

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	168.2	-0.3	172.8	168.0	2,497	25,869
Oct	170.0	-0.7	173.4	169.5	443	11,761
Dec	171.7	-0.7	174.9	171.0	321	5,660
Mar	179.4	-1.6	181.5	179.5	30	3,289
May	182.4	-1.3	-	-	3	1,562
Aug	182.9	+1.8	-	-	-	179
Total					3,281	48,320

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	4.80	-0.02	4.95	4.76	16,793	22,493
Jul	4.35	-0.09	4.51	4.33	11,900	91,987
Oct	4.76	-0.09	4.91	4.75	6,086	47,615
Mar	5.33	-0.10	5.48	5.33	1,350	24,631
May	5.47	-0.10	5.60	5.55	118	4,077
Jul	5.60	-0.06	5.72	5.60	159	2,537
Total					36,602	195,549

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	57.85	-0.08	58.40	57.60	6,375	1,906
Jul	59.01	-0.63	59.85	59.00	14,562	31,097
Oct	59.93	+0.18	60.25	59.80	242	2,259
Dec	59.78	-0.30	60.09	59.75	2,187	19,553
Mar	60.85	-0.20	61.15	60.85	141	3,768
May	61.35	-0.30	-	-	2	1,420
Total					23,539	60,844

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	88.90	+0.90	89.20	88.00	1,782	10,238
Jul	87.70	+0.70	88.00	86.60	2,185	10,558
Sep	87.80	+0.60	87.70	86.80	166	3,871
Nov	87.95	+0.60	87.70	87.25	18	3,365
Jan	88.90	+0.30	88.30	88.30	3	2,481
Mar	89.90	+0.30	90.40	89.60	5	368
Total					4,159	30,883

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 26	Apr 23	month ago	year ago
1327.0	1331.6	1348.7	1632.7

■ CRB Futures (Base: 1967 = 100)

Apr 23	Apr 22	month ago	year ago
189.71	189.46	-	-

■ GSCI Spot (Base: 1970 = 100)

Apr 23	Apr 22	month ago	year ago
157.74	158.24	148.23	164.15

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,900	to	787,775
Aluminium alloy	-80	to	83,880
Copper	+5,550	to	745,575
Lead	-200	to	104,525
Nickel	-186	to	60,780
Zinc	-750	to	318,275
Tin	-85	to	9,915

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	66.225	+0.675	66.450	65.950	2,351	5,107
Jun	63.325	+0.800	63.725	62.950	7,821	49,976
Aug	61.800	+0.175	62.200	61.800	1,313	20,461
Oct	64.175	+0.300	64.350	64.000	748	13,727
Dec	65.775	+0.200	66.100	65.725	208	6,222
Feb	67.325	+0.200	67.500	67.125	334	2,873
Total					12,791	98,249

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	58.175	+0.575	58.250	57.150	5,413	19,832
Jul	59.350	+0.300	59.400	58.500	2,562	7,533
Aug	58.975	+0.400	59.100	58.250	1,490	7,439
Oct	55.925	-0.100	56.150	55.800	941	8,387
Dec	55.350	+0.075	55.475	55.200	524	4,567
Feb	58.000	+0.050	58.000	57.900	28	768
Total					10,993	48,963

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	55.075	-1.575	56.400	54.550	1,026	2,233
Jul	56.125	-1.050	57.175	55.450	598	2,230
Aug	55.250	-0.050	56.100	54.400	47	577
Feb	68.850	-	-	68.500	5	41
Total					1,677	5,083

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1250	57	99	11	26
1300	35	66	28	45
1350	15	43	58	71
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
1550	40	91	57	82
1600	23	69	90	109
1650	12	51	128	140
■ COFFEE LIFFE	May	Jul	May	Jul
1400	78	123	48	85
1450	52	103	72	115
1500	34	81	104	143
■ COCOA LIFFE	Jul	Sep	Jul	Sep
675	-	77	-	17
700	-	61	-	26
725	27	48	39	38
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1500	-	-	22	-
1550	49	-	38	73
1600	38	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$15.15-5.35	-0.355
Brent Blend (dated)	$15.59-5.65	-0.405
Brent Blend (Jun)	$15.59-5.65	-0.385
W.T.I.	$17.53-7.56x	-0.52

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Unleaded Gasoline ‡	$184-187	-2
Gas Oil	$128-129	-4.5
Heavy Fuel Oil	$72-74	
Naphtha	$138-139	+2.5
Jet fuel	$160-162	+2.5
Diesel	$140-141	-5

■ NATURAL GAS (Pence/therm)

Bacton (May)	9.23-9.25

Petroleum Argus Tel London (0171) 359 8792

■ OTHER

Gold (per troy oz)‡	$280.95	-2.55
Silver (per troy oz)‡	514.50	-3.75
Platinum (per troy oz.)	$354.00	-2.50
Palladium (per troy oz.)	$352.50	-10.50
Copper	75.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.38r	+0.32
Tin (New York)	258.5	
Cattle (live weight)	90.83p	-1.48*
Sheep (live weight)	107.59p	+8.57*
Pigs (live weight)†	60.35p	-1.34*
Lon. day sugar (raw)	$138.70	+4.80
Lon. day sugar (wte)	$183.50	+5.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£95.00	
Wheat (US Dark North)	£120.50	
Rubber (May)♥	42.75p	+0.25
Rubber (Jun)♥	43.25p	+0.25
Rubber (KL RSS No1)	229.00m	+0.50
Coconut Oil (Phil)§	880.0	+10.0
Palm Oil (Malay.)§	502.5y	+5.0
Copra (Phil)§	515.0z	+5.0
Soyabeans (US)	137.0y	-3.0
Cotton Outlook'A' Index	58.45	+0.50
Wooltops (64s Super)	308p	+3

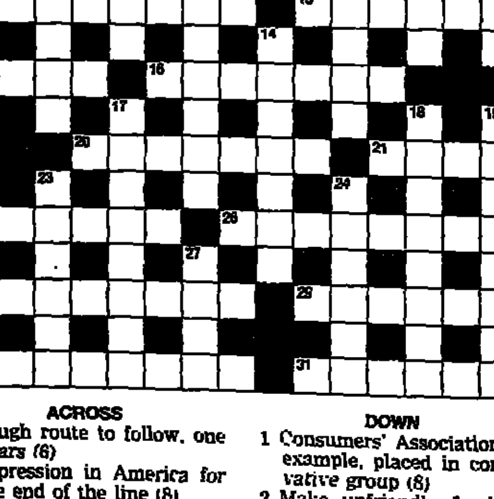
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Mar. x Jun. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on ... ‡ Unleaded Gasoline replaced Premium on March 15th. 565 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

CROSSWORD

No.9,972 Set by HIGHLANDER



ACROSS

1 Rough route to follow, one hears (6)
4 Expression in America for the end of the line (8)
9 Craving for a drink from river this time round (6)
10 Give an account of two notes on writer (8)
12 Sun might represent firearms manufacturer (8)
13 Establish position in the east (6)
15 Put pen to paper without starting traditional procedure (4)
16 Cheese not brought back following change of list (7)
20 Improvements with regard to documents (7)
21 Nothing coming from Zambia before movement of ore (4)
25 Advancing years, no doubt are initially matters to be discussed (6)
26 Withdraw bus that goes round the area (8)
28 Made intense efforts after son qualified (8)
29 Your good health is encouraging (6)
30 Service engineer has to employ one who can rub down (8)
31 Area on top is run for tobogganists (6)

DOWN

1 Consumers' Association for example, placed in conservative group (8)
2 Make unfriendly foreigner a brew of tea (8)
3 South-east has identical seeds, it's sometimes said after Open (6)
5 First female to go over new flat (4)
6 Earth satellite accommodating a vehicle? That takes the biscuit! (8)
7 Arrested in North America – small delicatessen taken over (6)
8 Seat is adjustable for rest of Spaniards (6)
11 Place where buffers will be calling for post (7)
14 Allure in German, love in French (7)
17 Set time limit no longer effective on railway route (8)
18 Drinks include punch: what do surprised Irishmen say? (8)
19 Musical with an unusual asset – an Italian noblewoman (8)
22 Organised some incomplete release payment (6)
23 He preserves whatever turns up, including fine porcelain (6)
24 Someone who makes engravings and so forth with her (6)
27 Sounds made by cats in old stable block (4)

Solution to Saturday's prize puzzle on Saturday May 8.
Solution to yesterday's prize puzzle on Monday May 10.

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BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds - Contd.

Manulife Funds Direct

Marshall Wace Asset Management Limited

Masters International Advisors

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

ABN AMRO Global Liquidity Funds Plc (z)

Aberdeen Prolific Intl Fund Plc

BT Fund Managers (Ireland) Ltd (z)

GT Global - Contd.

Baring International Fund Mgrs - Contd.

The Halal Mutual Investment Company Plc

19 South Frederick Street, Dublin 2

Henderson Crosthwaite Investment Co

2 Gresham Street, London EC2V 7QN

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIB Asset Management Ltd

AIB Capital Funds Plc (z)

Global Resources Stock Fund

The Golden Gate Fund Plc

Goldman Sachs

Gordon House Asset Management Ltd

HSBC Asset Management

Paribas Multi-Manager Global Fund Plc

Philo Smith & Co

Pioneer Management (Ireland) Ltd

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ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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JERSEY (FSA RECOGNISED)

Lombard Odier - Contd.

Fidelity Funds - Contd.

Lombard Odier Invest (a)

Schroder International Selection Fd - Contd.

Europe Interactions A Luxembourg

Indocam Mosaic SICAV

SCITECH SA

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (a)

Bank Von Ernst & Cie AG

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

JERSEY (REGULATED)(**)

OFFSHORE INSURANCES

Aberdeen International Ltd

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

[illegible]

AUTOMOBILES

[illegible]

BANKS

[illegible]

BEVERAGES

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION & BUILDING MATERIALS

[illegible]

CONSTRUCTION & BUILDING MATERIALS - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQUIPMENT

[illegible]

ENGINEERING & MACHINERY

[illegible]

ENGINEERING & MACHINERY - Continued

[illegible]

FOOD & DRUG RETAILERS

[illegible]

FOOD PRODUCERS & PROCESSORS

[illegible]

FOOD PRODUCERS & PROCESSORS - Continued

[illegible]

FORESTRY & PAPER

[illegible]

GAS DISTRIBUTION

[illegible]

GENERAL RETAILERS

[illegible]

HEALTH

[illegible]

HOUSEHOLD GOODS & TEXTILES

[illegible]

HOUSEHOLD GOODS & TEXTILES - Continued

[illegible]

INFORMATION TECHNOLOGY HARDWARE

[illegible]

INSURANCE

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Continued

[illegible]

INVESTMENT COMPANIES - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

MINING - Continued

REAL ESTATE - Continued

SPECIALITY & OTHER FINANCE - Continued

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM - Continued

STEEL & OTHER METALS

LEISURE, ENTERTAINMENT & HOTELS

OIL & GAS

REAL ESTATE - Continued

SUPPORT SERVICES

AIM

Alternative Investment Market

LIFE ASSURANCE

PACKAGING

RESTAURANTS, PUBS & BREWERIES

MEDIA & PHOTOGRAPHY

PERSONAL CARE & HOUSEHOLD PRODUCTS

SOFTWARE & COMPUTER SERVICES

PHARMACEUTICALS

TELECOMMUNICATIONS SERVICES

TOBACCO

REAL ESTATE

TRANSPORT

MINING

SPECIALITY & OTHER FINANCE

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are net and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ↑ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.

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London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

Telecom gains drive Footsie back above 6,500

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A buoyant telecommunication sector, among the UK stock market's best performing areas in recent years, was the prime mover behind another sparkling showing by London's stock market yesterday.

A sudden spate of corporate deals involving the UK's leading telecoms companies, BT and Cable and Wireless, plus the continuing expectation that many more global corporate deals are in the pipeline, saw both stocks aggressively bought and marketmakers caught by a shortage of stocks, exaggerating the upward moves.

"Without the telecoms it would have been a very quiet day indeed," said one marketmaker. But he insisted the market felt well underpinned by the continuing takeover rumours circulating in the stock market.

"There is still a strong feeling that more bids are on the way and if one or more is in the FTSE 100 then the market will rocket. But I wouldn't bet my pension on it," he said.

News of GEC's $4bn offer to buy Fore Systems of the US was another plus for the market, with GEC shares, already a good market, moving up a gear and posting a 5 per cent gain at the close.

The FTSE 100 index made a strong run at a record, re-crossing 6,500 at the day's best and touching 6,521.9 before slipping back on the emergence of light profit-taking. It staged another strong run that left the index a net 75.6 up at 6,503.6.

There was another good rise too in the FTSE SmallCap which continued its recent sequence of gains – it outpaced the FTSE All-Share, 100 and 250 indices during last week's roller-coaster ride. Yesterday, it moved confidently ahead to finish a net 11.7 firmer at 2,533.9.

But the strength of the FTSE 100 and SmallCap indices contrasted with a market rarity these days – a poor showing by the FTSE 250. The index never looked comfortable throughout the session and eventually settled 4.1 higher at 5,788.6, having spent much of the day in negative territory.

London's performance was all the more impressive given the sluggish showing by Wall Street last Friday and again yesterday.

On Friday the Dow Jones Industrial Average dipped 37 points and it never looked impressive yesterday, moving between a modestly negative opening performance to a small gain and back again.

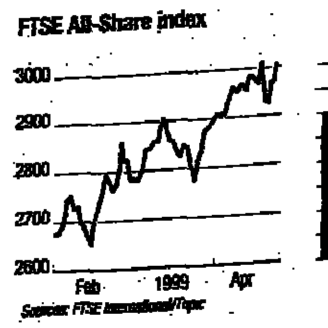
The individual stories in the telecoms sector produced some exceptional individual performances.

BT, with its heavy weighting in the FTSE 100 index, was one of the most impressive and the real driving force in the market place after its joint purchase of a 30 per cent stake in Japan Telecom along with AT & T.

Cable and Wireless, however, overpowered BT in the performance table, advancing almost 8 per cent after its latest asset disposal, the £550m sale of its submarine cable-laying business to Global Crossing.

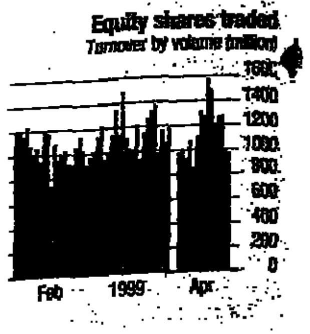
Turnover in equities at the 6pm cut-off point was 971.4m shares, well below recent levels but nevertheless a healthy figure for a Monday. Non-FTSE 100 stocks accounted for 52.3 per cent of the overall figure.

FTSE All-Share index



Equity shares traded

Turnover by volume (million)



Source: FTSE International/Topic

Indices and ratios

FTSE 100	6503.6	+75.5
FTSE 250	5788.6	+4.1
FTSE 350	3101.1	+30.8
FTSE All-Share	3003.72	+29.09
FTSE All-Share yield	2.24	2.27

FT 30	4063.4	38.0
FTSE Non-Fins p/e	27.46	27.20
FTSE 100 Fut Jun	6549.0	+72
10 yr Gilt yield	4.78	4.74
Long gilt/equity yld ratio	2.06	2.04

Best performing sectors

1 Telecommunication Services +3.9
2 Electronic & Elect Equip +3.8
3 Non Cyclical Services +3.0
4 Gas Distribution +2.4
5 Life Assurance +2.0

Worst performing sectors

1 Packaging -2.6
2 Personal Care & Hse Prods -1.6
3 Tobacco -1.3
4 Health -1.0
5 Food & Drug Retailers -0.9

C&W leads market

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Telecommunication stocks were the toast of the market yesterday as investors continued to reflect on international corporate activity in the sector and on disposals.

Explaining yesterday's general advance, one sector specialist said: "There is no doubt that the Deutsche Telekom and Telcom Italia merger, together with the AT & T bid for MediaOne, have made this the sector to watch and several investors have decided to top up holdings in the event of bid activity here."

Among the leaders, confirmation from Cable and Wireless that it had agreed to sell its submarine cable-laying operations to Global Crossing of the US in a £550m deal cheered the market. C&W was easily the best performing Footsie stock yesterday after the shares advanced 67 or nearly 8 per cent to 909p.

The company indicated the sale was in line with its increasing focus on the operation of communications networks, in particular data and internet activities.

The return of bid speculation also helped boost the stock and Paul Sharma at Investec Henderson Crosthwaite said: "The sum-of-the-parts valuation for Cable and Wireless is around £13.50. We should see a narrowing of the gap between that valuation and the current share price as the strategic focus becomes clearer."

Comments from British Telecommunications that its joint acquisition of a 30 per cent stake in Japan Telecom with AT & T would enhance earnings per share saw the stock jump 53 to £10.47 in trade of 15m.

Specialists were particularly pleased that the deal would give BT entry into third-generation mobile licences in Japan through participation in a bid consortium with Japan Telecom.

In the rest of the sector, Telewest Communications was also in demand as dealers once again raised the prospect of a bid for the cable operator. The shares put on 14½ to 297¼p, while a more modest rise was recorded in Energis, 7 up at £16.37.

The latest move by GEC to transform itself into a telecommunications company was lauded by investors. They pushed the stock up 5 per cent or 29½ at 608½p following the company's announcement of the purchase of Fore Systems, a US internet communications equipment group, for $4.5bn.

The deal follows the acquisition of Reltec of the US and the sale of its Marconi defence electronics business to British Aerospace.

The stock saw 9m traded. The positive reaction by investors led the shares to an all-time high, and they stand at 22 times this year's earnings forecasts.

BAe was up 20½ at 452½p, helped by a press report that Airbus is close to clinching a £2bn deal with Northwest Airlines.

Transport group Arriva continued to suffer from its annual general meeting statement that bus patronage in the first quarter was down 2 per cent. The stock was off another 7 per cent or 28½ at 386½p.

Rival bus groups ended the day stronger. FirstGroup gained 12 to 389½p, while National Express was up 33 at £11.24.

Elsewhere in the transport sector, Sanderson Bramall was up 3½ at 237½p as it enjoyed follow-through buying after its positive AGM statement last week.

Pendragon gained 2 to 175p despite an AGM statement that put the emphasis on increasing profits by cutting costs and improving efficiency. It said the introduction of the new car number plate in March and September had made profitability difficult to project.

P&O gained 8 to 944p after the first set of figures from the Stena joint venture showed it had a market share of 36 per cent.

Speculation about further restructuring in the oil sector triggered buying in BP Amoco. Rumours doing the rounds included the merger of French oil groups Total and Elf-Aquitaine. Another story suggested a merger between Elf and Shell.

BP better

BP shares improved 9½ to £10.97 as one analyst suggested further merger activity "will reduce competitive pressure in the industry". However Shell was friendless and the stock bucked the market trend closing 3 off at 433½p.

Hanson gained almost 6 per cent or 35 to 621¼p ahead of a series of presentations to analysts in Europe tomorrow. Misys was ahead 17 at 593½p as it basked in the reflection of a stronger Nasdaq market in the US.

Smiths Industries lost some of its recent shine as the swing into cyclical stocks ran into profit-taking, and it surrendered 11 to 951p. Britax International was also down, by 7 to 159p.

Vickers advanced 5½ to 163p ahead of a bullish trading statement expected at its annual meeting today.

Press comment and a broker's recommendation helped boost TV company Flextech. The shares appreciated 35 to 851p. Investec Henderson Crosthwaite raised its near-term share price target to 900p.

Marks and Spencer, driven sharply higher in recent sessions by speculation that Warren Buffett's Berkshire Hathaway may have been accumulating a significant stake, slipped 6 to 448¼p after a report in the weekend press casting doubts on such a development.

W.H. Smith, the country's biggest bookseller, jumped 38 or just over 5 per cent to 778½p after yesterday's launch of a new online service providing free access to the internet and offering several other services. The strong advance made it the best performer in the FTSE 250.

The company said it planned to broaden and deepen the appeal of W.H. Smith Online over the coming months.

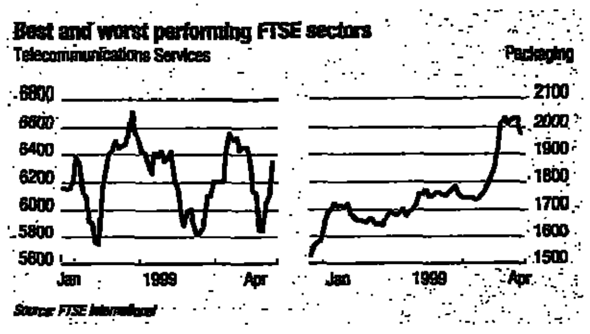
Abbot, the oil services group that failed in its move to take over ProSafe of Norway earlier this year, showed its ability to grow organically by the announcement of a five-year contract to drill for Shell. Traders suggested the deal would increase earnings by 10 per cent a year.

Reports that Whitbread, the pubs and leisure group, may be lining up a move against Greenalls saw the latter's shares climb 7½ to 370p. Whitbread dipped 15 to £10.32½.

Card Clear, the anti-fraud group, gained 10 per cent or 4 to 44½p after it said J Sainsbury would use its services.

Best and worst performing FTSE sectors

Telecommunications Services / Packaging



Source: FTSE International

FT 30 INDEX

	Apr 26	Apr 23	Apr 22	Apr 21	Apr 20	Yr ago	*High	*Low
FT 30	4063.4	4025.4	4017.8	3972.8	3985.6	3713.6	4092.9	2790.6
Ord. div. yield	2.60	2.63	2.63	2.65	2.64	2.95	4.22	2.58
P/E ratio net	24.24	23.95	23.98	23.73	23.89	24.02	25.41	15.80
P/E ratio nil	24.18	23.89	23.91	23.66	23.82	23.61	25.19	15.71

FT 30 since compilation: high 4092.9 4/19/99; low 49.4 6/26/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
4025.4	4048.8	4065.4	4058.6	4049.1	4054.9	4054.1	4064.0	4069.6	4024.6

STOCK MARKET TRADING DATA

	Apr 26	Apr 23	Apr 22	Apr 21	Apr 20	Yr ago
SEAD bargains	76,381	75,170	80,832	84,744	94,855	84,215
Equity turnover (£m)†	-	4432.9	4920.6	5599.2	6191.9	3300.0
Equity bargains†	-	62,801	66,432	70,449	80,257	51,002
Shares traded (m)†	-	994.3	1096.0	1188.8	1387.2	829.8
Total market bargains‡	-	75,474	81,240	86,702	95,562	-
Total turnover (£m)‡	-	6154.9	7121.2	7353.4	8158.3	-
Total shrs traded (m)‡	971.4*	1309.0	1495.8	1512.8	1738.0	-
Tradepoint turnover (£m)	16.9	31.0	42.1	29.4	40.6	24.1
Tradepoint shrs traded(m)	7.3	11.9	15.8	15.4	15.8	6.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,022	Total Highs	131	Total contracts	22,016
Total Falls	511	Total Lows	21	Calls	9,740
Same	1,316			Puts	12,276

Apr 26 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6475.0	6539.0	+63.0	6558.0	6463.0	15569	198850
Sep	-	6588.0	+65.0	-	-	0	6897
Dec	-	6648.0	+64.0	-	-	0	1150

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	5790.0	-10.0	-	-	0	7368

FTSE 100 INDEX OPTION (LIFFE) (*6503) £10 per full index point — Apr 26

	6350 C	6350 P	6400 C	6400 P	6450 C	6450 P	6500 C	6500 P	6550 C	6550 P	6600 C	6600 P	6650 C	6650 P	6700 C	6700 P
May	258	78½	218	91½	184	108½	153½	129½	123	150½	88½	177½	78½	206½	66	238½
Jun	326	139½	292½	156½	262½	175	232½	198	202½	216½	174½	239	153	257	131	295
Jul	394½	175	364½	194½	331	216½	301½	236	272	263½	242½	283½	218½	310½	198	391½
Aug	458	241½	427½	261	387	280	367	299	336½	319	308½	339	288	364	258	381½
Dec†			637	405			574½	444			518	494½			463	532½

Calls 442 Puts 677

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	6325 C	6325 P	6375 C	6375 P	6425 C	6425 P	6475 C	6475 P	6525 C	6525 P	6575 C	6575 P	6625 C	6625 P	6675 C	6675 P
May	273	75	237½	89	204	105	172½	124	141	142	115½	166	92	192½	69½	220
Jun	345	132½	309	145	276	163	244	180½	208½	195½	181	217	157	242	136½	271½
Jul	415	177	388½	192½	347½	209½	318	228	285½	247½	257	263	230	292	208	317
Sep	521	264			454	294½			385½	334			337½	374		
Dec†	682½	371½			617	403			551	433			491½	470½		

Calls 442 Puts 677 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§–	F.P.	26.1	148½	143½	†Affinity Internet	143½		-	-	-	-
100	F.P.	-	95	95	Br Smlr Cos VCT	95		-	-	-	-
–	F.P.	-	12½	12½	Do Warrants	12½		-	-	-	-
–	F.P.	18.6	119½	95½	Cairngorm Restuct	112½		-	-	-	-
–	F.P.	0.83	27	17½	Do Wts	25		-	-	-	-
§	F.P.	-	109½	105	Edinburgh Inc&Val	109½	+½	-	-	-	-
§	F.P.	-	106½	100½	Edinburgh Val ZDP	106½	+½	-	-	-	-
–	F.P.	-	665	648	Fleming I&G Units 2005	648	-½	22.25	-	0.3	-
§	F.P.	22.0	110½	98½	Gartmore High Inc	110	+½	K7.2	-	6.5	-
–	F.P.	10.9	109½	101½	Do Zero Div Prf	109		-	-	-	-
–	F.P.	199.1	101	100½	Halifax Non Cum Pf	100½	-¼	6.12	-	6.1	-
–	F.P.	18.9	100	100	Northern 2 VCT	100		-	-	-	-
§	F.P.	18.7	165	147	Sherry FitzGerald	147		-	-	-	25.0
*	F.P.	17.3	197½	55½	†Sports Internet	196½	+2½	-	-	-	-
–	F.P.	-	109	100	Triven VCT	100		-	-	-	-
§–	F.P.	1.20	8	6	†Voyager 2000	8	+½	-	-	-	-

† Alternative Investment Market. § Placing price * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1999 High	1999 Low	Stock	Closing price p	+or-
12.5	Nil	4/5	3pm	1pm	Calluna	2½pm	
IR5p	Nil	14/5	2pm	2pm	Ennex Intl	2pm	
80	Nil	28/4	23pm	9½pm	Mice	19pm	+9½
0.5	Nil	30/4	1¼pm	¼pm	Versailles	1¼pm	

pm premium.

FTSE GOLD MINES INDEX

	Apr 23	% chg on day	Apr 22	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (27)	952.35	-0.36	955.77	1351.57	1.94	962.48	1351.57	761.58
Regional Indices								
Africa (9)	1046.49	-0.60	1052.79	1400.35	4.01	1069.15	1488.04	765.63
Australasia (8)	1132.36	+0.57	1125.95	1600.53	2.80	1149.84	1600.53	815.93
Americas (10)	894.03	-0.45	898.06	1317.41	0.61	896.08	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Apr 26	Day's chge%	Euro Index	£ Stlg Apr 23	£ Stlg Apr 22	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6503.6	+1.2	7712.4	6428.0	6413.6	5722.4	2.12	1.65	28.49	63.87	2909.26
FTSE 250	5788.6	+0.1	6864.5	5784.5	5792.3	5564.0	2.72	1.85	19.81	56.11	2544.49
FTSE 250 ex Inv Co	5848.4	—	6935.4	5847.5	5858.4	5620.5	2.84	1.90	18.50	58.37	2582.97
FTSE 350	3101.1	+1.0	3677.5	3070.3	3065.1	2774.1	2.21	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex Inv Co	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share ex Inv Co	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex Inv Co	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Small	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Small ex Inv Co	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE AIM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE Actuaries Industry Sectors

	£ Stlg Apr 26	Day's chge%	Euro Index	£ Stlg Apr 23	£ Stlg Apr 22	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	685	685	-10½
AMVESCAP	868	685	+14½
ASDA Group	20,548	194¼	+3¼
Abbey National	1,549	1307	+16
Alliance & Leicester	1,139	906½	+13½
Allied Domecq	1,841	521	
[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 26 / Sch)

BELGIUM/LUX (Apr 26 / Frs)

FINLAND (Apr 26 / Mka)

FRANCE (Apr 26 / Frs)

GERMANY (Apr 26 / Dm)

IRELAND (Apr 26 / Punt)

ITALY (Apr 26 / Lire)

NETHERLANDS (Apr 26 / Fl)

PORTUGAL (Apr 26 / Esc)

SPAIN (Apr 26 / Pta)

EUROPE (NON-EMU)

CZECH REP (Apr 26 / Koruna)

DENMARK (Apr 26 / Kr)

GREECE (Apr 26 / Drachma)

NORWAY (Apr 26 / Kroner)

POLAND (Apr 26 / Zloty)

SWEDEN (Apr 26 / Kronor)

SWITZERLAND (Apr 26 / Frs.)

TURKEY (Apr 26 / TK Lira)

PACIFIC

JAPAN (Apr 26 / Yen)

HONG KONG (Apr 26 / H.K.$)

INDONESIA (Apr 26 / Rupiah)

MALAYSIA (Apr 26 / MYR)

NEW ZEALAND (Apr 26 / NZ $)

SINGAPORE (Apr 26 / S$)

AUSTRALIA (Apr 26 / Aust$)

SOUTH KOREA (Apr 26 / Won)

TAIWAN (Apr 26 / TW $)

THAILAND (Apr 26 / Baht)

AMERICAS

CANADA

TORONTO (Apr 26 / Can $)
4 pm close

MONTREAL (Apr 26 / Can $)
4 pm close

MEXICO (Apr 26 / Peso)
12.30pm

AFRICA

SOUTH AFRICA (Apr 26 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 23 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY APRIL 22 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	234.63	0.4	215.15	177.08	253.81	238.99	0.0	3.16	233.63	214.99	176.62	253.88	238.97	234.63	183.88	219.96
Austria (21)	189.80	1.4	174.04	143.24	181.17	181.17	1.0	1.96	187.16	172.23	141.49	179.46	179.46	253.73	165.27	235.78
Belgium (22)	355.01	-0.3	325.53	267.93	331.77	331.77	-0.8	2.12	356.14	327.74	269.23	334.35	334.35	448.95	319.89	330.47
Brazil (29)	145.58	0.6	133.49	109.87	157.47	451.25	-0.7	5.01	144.64	133.10	109.34	157.18	454.80	258.04	89.32	255.43
Canada (113)	228.71	0.5	209.72	172.61	247.40	244.49	0.2	1.60	227.58	209.43	172.05	247.31	244.11	248.49	159.94	248.49
Denmark (34)	416.93	-0.3	382.31	314.66	451.00	395.90	-0.7	1.67	418.13	384.77	316.09	454.37	398.85	537.33	406.62	509.38
Finland (28)	690.62	-2.3	633.28	521.22	809.53	809.53	-2.8	1.45	707.00	650.61	534.48	832.53	832.53	719.62	338.49	428.13
France (74)	321.85	-0.5	295.13	242.90	311.10	311.10	-0.9	1.98	323.44	297.64	244.51	314.07	314.07	354.45	253.86	300.12
Germany (54)	261.41	0.1	239.71	197.29	249.70	249.70	-0.3	1.59	261.05	240.23	197.35	250.50	250.50	325.61	226.35	282.47
Greece (36)	378.49	1.6	347.06	285.65	409.42	831.24	0.9	1.32	372.41	342.71	281.53	404.69	823.75	454.89	211.47	–
Hong Kong, China (58)	380.95	-0.1	349.32	287.51	412.08	379.04	0.0	2.99	381.16	350.76	288.15	414.20	379.22	381.16	196.84	331.55
Indonesia (21)	55.68	-3.3	51.06	42.02	60.23	292.90	-3.6	1.10	57.57	52.98	43.52	62.56	303.71	60.92	19.04	57.06
Ireland (14)	541.50	0.3	496.54	408.68	564.50	564.50	-0.2	1.84	539.97	496.90	408.20	565.48	565.48	605.85	396.15	549.13
Italy (53)	167.55	0.2	153.64	126.45	227.61	227.61	-0.3	1.53	167.28	153.93	126.46	228.27	228.27	192.64	128.68	166.40
Japan (443)	116.59	1.7	106.91	87.99	126.12	87.99	1.5	0.83	114.64	105.49	86.68	124.57	86.68	118.43	78.83	97.62
Mexico (29)	1680.74	0.4	1541.19	1268.47	1818.11	17047.69	-0.1	1.52	1673.65	1540.15	1265.23	1818.73	17089.11	1716.71	787.15	1716.71
Netherlands (26)	506.30	0.5	464.27	382.11	478.38	478.38	0.0	2.01	503.94	463.75	380.97	478.33	478.33	562.73	394.92	501.86
New Zealand (18)	68.76	0.4	63.06	51.90	74.38	68.50	0.1	3.61	68.52	63.06	51.80	74.46	68.45	76.03	45.68	75.85
Norway (37)	260.47	0.2	238.85	196.58	281.76	275.39	0.0	1.78	259.81	239.09	196.41	282.34	275.25	357.71	181.86	348.86
Philippines (22)	111.19	2.3	101.95	83.91	120.27	210.56	1.9	0.70	108.69	100.02	82.17	118.11	206.64	111.19	42.48	97.28
Portugal (18)	212.89	-0.3	195.21	160.67	274.42	274.42	-0.8	1.58	213.55	196.52	161.44	276.54	276.54	299.39	194.13	–
Singapore (40)	276.13	0.0	253.20	208.40	298.70	217.32	0.0	1.19	276.09	254.07	208.72	300.02	217.37	277.70	102.45	208.26
South Africa (34)	233.94	1.1	214.51	176.55	253.06	311.85	1.3	3.10	231.43	212.97	174.96	251.49	307.80	339.54	151.55	338.16
Spain (29)	367.98	1.6	337.43	277.72	435.73	435.73	1.1	1.64	362.22	333.33	273.83	430.87	430.87	435.19	290.81	378.41
Sweden (41)	560.21	0.6	513.70	422.79	605.99	693.57	0.1	1.96	556.83	512.23	420.80	604.88	693.08	628.19	379.18	588.33
Switzerland (30)	382.05	0.0	350.33	288.34	413.28	358.45	-0.4	1.30	382.25	351.76	288.97	415.39	357.92	441.65	307.73	388.35
Thailand (26)	29.62	1.4	27.16	22.35	32.04	43.19	1.5	1.92	29.20	26.87	22.07	31.73	42.55	31.47	8.15	26.74
United Kingdom (201)	407.74	0.6	373.89	307.72	441.06	373.89	0.2	2.27	405.52	373.18	306.56	440.68	373.18	411.84	307.96	385.74
USA (605)	559.91	-0.1	513.43	422.57	605.68	559.91	-0.1	1.19	560.56	515.84	423.76	609.15	560.56	560.56	390.12	457.47
Americas (776)	498.41	-0.1	457.03	376.15	539.14	422.43	-0.1	1.23	498.84	459.05	377.11	542.08	422.89	498.84	347.59	414.86
Europe (718)	359.43	0.2	329.59	271.27	388.81	348.34	-0.2	1.91	358.59	329.98	271.08	389.67	348.97	388.24	282.63	352.78
Eurobloc (339)	100.85	0.0	92.48	76.12	104.27	104.27	-0.4	1.77	100.82	92.78	76.22	104.71	104.71	113.92	81.53	–
Nordic (140)	531.77	-0.5	487.62	401.33	575.23	586.92	-1.0	1.77	534.27	491.66	403.90	580.59	574.42	555.97	360.04	518.82
Pacific Basin (711)	126.52	1.4	116.01	95.48	136.86	98.08	1.2	1.26	124.80	114.84	94.34	135.62	96.92	127.42	82.88	108.15
Euro-Pacific (1429)	222.98	0.6	204.47	168.29	241.21	192.05	0.3	1.70	221.66	203.96	167.57	240.87	191.55	225.07	168.00	210.12
North America (718)	537.57	-0.1	492.94	405.71	581.50	538.15	-0.1	1.20	538.07	495.15	406.77	584.71	538.72	538.07	374.92	444.21
Europe Ex. UK (517)	324.70	0.1	297.74	245.05	351.24	325.68	-0.4	1.71	324.49	298.61	245.31	352.62	326.93	366.32	260.93	325.28
Europe Ex. Eurobloc (379)	101.19	0.4	92.79	76.37	109.46	104.23	0.1	2.05	100.75	92.71	76.16	109.48	104.17	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (178)	95.37	0.2	87.45	71.98	103.17	98.48	-0.2	1.51	95.20	87.61	71.97	103.45	98.72	109.21	75.16	–
Pacific Ex. Japan (268)	220.29	0.2	202.00	166.25	238.29	221.83	0.0	2.86	219.88	202.35	166.23	238.95	221.87	220.29	128.26	202.50
World Ex. Eurobloc (1900)	115.89	0.2	106.27	87.46	125.36	115.29	0.1	1.38	115.61	106.39	87.40	125.63	115.13	115.89	63.09	–
World Ex. US (1634)	223.68	0.6	205.11	168.81	241.96	197.97	0.2	1.73	222.35	204.61	168.09	241.62	197.47	225.28	165.95	214.60
World Ex. UK (2038)	324.73	0.2	297.77	245.07	351.27	295.47	0.0	1.34	324.17	298.31	245.06	352.27	295.35	324.73	236.11	284.07
World Ex. Japan (1796)	439.36	0.0	402.88	331.59	475.27	438.39	-0.1	1.51	439.21	404.18	332.03	477.28	436.93	439.36	320.58	389.75
The World Index (2239)	331.80	0.2	304.35	250.49	359.03	302.75	0.0	1.44	331.20	304.79	250.38	359.91	302.58	331.90	242.36	292.70

Emerging markets: IFC investable indices

Dollar terms

Apr 23 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	919.52	-0.7	+15.3
Brazil	301.78	+0.5	+9.7
Chile	569.33	-1.8	+26.2
Colombia[1]	439.06	+1.5	-0.1
Mexico	701.30	+0.6	+45.6
Peru[2]	159.65	+0.3	+18.8
Venezuela[3]	448.33	+3.5	-1.1
East Asia			
China[4]	29.58	-0.9	+13.0
India[1]	70.31	-0.3	+9.5
Indonesia[5]	28.46	-2.2	+17.6
Korea[6]	72.88	+1.9	+37.4
Malaysia	98.34	+1.6	+11.1
Pakistan[8]	105.55	+2.1	+11.6
Philippines	153.25	+1.9	+24.5
Sri Lanka[10]	63.78		-22.6
Taiwan, China[6]	142.05	+1.6	+22.7
Thailand	71.13	-0.1	+12.8
Europe			
Czech Rep	44.77	+0.8	-11.8
Greece	688.05	+1.5	-11.1
Hungary[11]	257.96	+0.3	-8.1
Poland[12]	560.76	+1.2	+7.1
Russia	42.28	+4.4	+80.3
Slovakia	30.83	+7.0	-29.3
Turkey[14]	244.82	+0.2	+67.3
Mideast/Africa			
Egypt	70.77		+9.8
Israel	131.44	-0.1	+28.6
Jordan	222.27	+0.1	+2.6
Morocco	152.24	+0.2	-9.2
S Africa[15]	154.32	+0.3	+23.2
Zimbabwe[15]	135.84	-0.1	+29.0
Regions			
Composite	228.11	+0.7	+22.1
Latin America	521.28	+0.1	+24.2
Asia	132.92	+1.2	+24.2
EMEA	134.05	+0.7	+17.3
Europe	170.86	+1.3	+14.1
Eastn Europe	65.03	+1.8	+11.9
ME & Africa	64.68	+0.2	+20.6
Comp + Malay	230.04	+0.7	+21.4
Asia + Malay	131.14	+1.3	+21.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 8 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

FTSE

NEW YORK STOCK EXCHANGE PRICES

4 pm close April 26

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1999 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
63	51	Xerox	0.80	1.4	21	15572	57	55	55	[illegible]
77¼	54½	XI Capit x	1.76	3.0	9	5583	59	58¼	59	[illegible]
43½	37½	Xtra Corp			10	437	41¼	40	40	[illegible]
29	22	Yankee Egy	1.38	5.0	25	255	28	27	27	[illegible]
42	33	York Int	0.60	1.5	11	1012	41	39	40	[illegible]
15	8	Zapata			3	286	9	9	9	[illegible]
28	20	Zenith Nat	1.00	4.5	20	243	22	22	22	[illegible]
6	5	Zweig Inc x	0.67	11.7		277	5	5	5	[illegible]
11	10	ZweigTotR x	1.20	11.1		1161	10	10	10	[illegible]
9	8	Zweig Tot x	0.84	10.2		807	8	8	8	[illegible]

Price data supplied by Financial Times Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended

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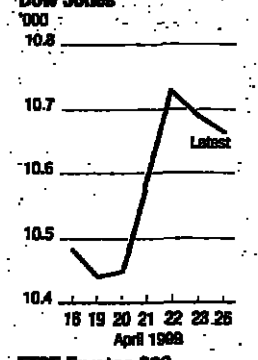
GLOBAL EQUITY MARKETS

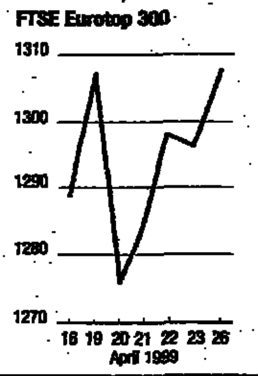
US INDICES

US DATA

Dow Jones



FTSE Eurotop 300



JAPAN

	Apr 26	Apr 23	Apr 22	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	16918.51	16923.25	16865.88	16923.25	13232.74	38915.98	85.25

Day's high: 17143.49. Day's low: 16915.15.

■ TOKYO TRADING ACTIVITY Volume : 552,670,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Sakura	43,482,000	477	+23
FujiBk	19,811,000	844	+33
NpStl	15,108,000	277	+4
NKK	9,223,000	96	+3
SomiMt	7,087,000	159	-2
Hitachi	7,080,000	892	+30
IndBk	6,932,000	902	+7
Tshiba	6,241,000	821	+3
Shok.It	6,113,000	254	+3
Nomura	5,913,000	1300	+44

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Seiyu	720	+63	+9.6
Tagami	243	+21	+9.5
Nikon	1699	+121	+7.7
DNpTor	235	+16	+7.3
Downs			
NpLtMt	161	-11	-6.4
HkyDpS	755	-45	-5.6
ToaCrp	217	-12	-5.2
MitFud	1090	-54	-4.7

FRANCE

	Apr 26	Apr 23	Apr 22	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	4284.40	4282.43	4291.85	4378.34	3958.72	4388.48	984.61

Day's high: 4325.65. Day's low: 4262.84.

■ PARIS TRADING ACTIVITY Volume : 553,884,910

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
PrnRic	2,245,552	62.5	+1.3
Paribas	1,779,644	95.85	-0.85
FrTele	1,181,288	76.6	+0.45
Axa	783,080	116.7	
Renault	747,173	36.95	-0.65
Usinor	722,469	14.65	+0.25
ElfAqu	682,002	135	+4
RhonPA	669,147	43.74	+0.34
Alctel	612,204	117.2	+1.7
SocGen	609,549	159.9	+1.8

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
CPR	49.29	+4.28	+9.5
ImmbFr	17.13	+1.13	+7.1
CapGem	141	+8.6	+6.5
Atos	78.65	+4.65	+6.2
Downs			
Casino Pf	56	-2.5	-4.3
Canal+	278.7	-11.5	-4.0
DassSy	35.2	-1.3	-3.6
Unibail	121.3	-3.9	-3.1

GERMANY

	Apr 26	Apr 23	Apr 22	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	5258.22	5195.42	5218.82	5443.82	4678.72	6171.43	931.18

Day's high: 5284.82. Day's low: 5185.63.

■ FRANKFURT TRADING ACTIVITY Volume . 13,589,125

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Sthenr	2,165,357	30	
Bay Hyp Bnk	800,000	118.00	+0.20
Drsdnr Bk Gn	587,000	113.55	+0.03
Deut.Bank	513,484	51.75	-0.55
Heinkel	393,670	5.00	
Deut.Telkm	361,074	35.90	+0.50
Commrzbank	344,318	30.50	+0.05

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
SAP Pf	346	+21.5	+6.6
SAP	300	+18	+6.4
Duerr	25.7	+1.4	+5.8
GEA Pf	23.1	+1.1	+5.0
Downs			
BEWAG	15.65	-1.35	-7.9
GEHE	44.1	-2.6	-5.6
Hochtf	33.4	-1.9	-5.4
HdlDrk	52.32	-2.18	-4.0

UK

	Apr 26	Apr 23	Apr 22	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	6503.6	6429.0	6413.6	6515.30	5770.20	6915.30	986.90

Day's high: 6521.9. Day's low: 6428.0.

■ LONDON TRADING ACTIVITY Volume : 971,400,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Tesco	31,452,070	190¼	-5
Shell T&T	24,189,780	433½	-3
ASDA	20,545,810	194¾	+3½
TeleWest	19,008,270	297¼	+14½
Invensys	16,445,180	337	-7¼
Centrica	16,112,500	122¾	+5½
BT	15,714,260	1047	+53
Cable&Wire	15,261,330	909	+67
Stagecoach	14,095,810	222¾	+2¾
BP Amoco	13,857,800	1097½	+9½

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Artisan (UK)	6½	+2	+42.1
Rocsell (A)	167½	+40	+31.4
Desire Petrol	50	+10½	+26.8
Alliance Res	8	+1½	+23.1
Downs			
Hanson Grp	9	-2	-18.2
Jarvis Hlts	139	-30	-12.8
Nthn Pentm	3½	-½	-12.5
Black Arrow	93½	-12	-11.4

RATIOS

	Apr 23	Apr 16	Apr 9	Year ago
Dow Jones Ind. Div. Yield	1.51	1.51	1.56	1.55
	Apr 21	Apr 14	Apr 7	Year ago
S&P Ind. Div. yield	1.08	1.08	1.07	1.28
S&P Ind. P/E ratio	41.80	41.48	41.63	31.13

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
	1363.80	1366.50	+1.50	1368.00	1363.00	88,849	371,813
	-	1378.20	-	-	-	79	5,554
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
	16940.0	16990.0	+30.0	17150.0	16880.0	27,942	212,500
	16870.0	17100.0	+230.0	17100.0	16870.0	53	6,430

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	4291.0	4287.0	+22.0	4329.0	4260.5	71,887	103,494
May	4256.0	4269.5	+20.5	4311.5	4254.5	33,548	10,032
■ DAX							
Jun	5242.0	5285.0	+72.0	5300.0	5223.0	35,830	326,147
Sep	5278.5	5318.5	+81.0	5327.5	5262.0	39	3,193

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	780.00	779.00	+5.50	784.75	775.75	12,130	127,632
Jun	781.50	780.00	+4.00	781.50	780.00	18	540
■ EUREX							
Jun	7100.0	7232.0	+166.0	7250.0	7100.0	19,704	102,367
Sep	7170.0	7248.0	+168.0	7250.0	7163.0	134	3,906

Open interest figures for previous day

WORLD MARKETS AT A GLANCE

Country	Index	Apr 26	Apr 23	Apr 22	1999 High	1999 Low	Yield	P/E
Argentina	General	19584.75	19475.34	19559.53	19584.68 21/4	14464.80 14/1	3.87	14.3
Australia	All Ordinaries	3129.7	3121.7	3118.3	3129.78 26/4	2804.80 14/1	2.78	24.8
	All Mining	618.5	617.6	610.7	649.10 19/4	552.10 12/4		
Austria	ATX Index	1266.12	1256.95	1245.39	1266.12 26/4	1011.25 22/1	2.91	13.8
India	BSE Sens.	3245.27	3406.59	3408.74	3784.11 9/3	3122.04 4/1	1.94	14
	S & P CNX 500	640.97	678.81	680.56	738.25 31/3	620.19 4/1		
Indonesia	Jakarta Comp.	470.40	473.58	479.24	508.14 19/4	372.31 15/3	2.56	18.6
Ireland	ISEQ Overall	5298.45	5327.91	5404.54	5497.91 13/4	5064.85 14/1	1.78	20.8
Portugal	BVL 30	4409.45	4424.73	4454.98	5258.85 6/1	4370.85 18/3	2.27	25.1
	PSI 20	10115.55	10152.84	10224.91	12120.85 6/1	10063.08 18/3		
Russia	RTS	83.92	82.83	80.33	98.02 17/3	54.48 28/1	na	na
Singapore	SES All-S'pore	508.20	507.84	506.90	508.20 26/4	361.45 10/2	1.59	29.6

Argentina: ...ved slightly higher in calm trade, with entertainment stock Comercial de Plata up 6 per cent at midsession.

Australia: ...and Rio Tinto pushed higher on thin volumes with most states closed for Anzac Day holiday.

Austria: ...st in bank shares boosted sentiment. Bank Austria rose 1.4 per cent while AMS led gainers with 6.1 per cent jump.

India: Failure of political parties to form government and decision to call new elections weighed heavily on market.

Indonesia: Continued to drift lower in wake of recent strong rally. Falls doubled rises.

Portugal: Banco Comercial Portugues rose 2.2 per cent on growing expectations for today's first-quarter results.

Russia: Market edged ahead in mediocre volumes, propped up by reluctant sellers rather than substantial buyers.

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 26

AMEX

4 pm close April 26

Strengthening Asia glimpses end of crisis

WORLD OVERVIEW

Strong gains in Asia followed by a number of solid performances in Europe provided equity markets with their main flavour yesterday, *writes Jeffrey Brown.*

Wall Street was having trouble finding direction as trading in Europe came to a close so share trading in Frankfurt and Paris plotted a domestic course, mostly centred around a strong session for telecommunications and defence shares.

Even Deutsche Telekom, a weak market lately on concern over its planned merger with Telecom Italia, added 1.4 per cent to rise in line with the broader market. In Paris, defence leader Thomson-CSF rose 4.4 per cent as investors, for once, drew positive conclusions from the Kosovo crisis.

But the main focus was on Asia where the re-rating story continued to run full steam ahead, helped by a swathe of debt upgrades, another rate cut in the Philippines and a favourable assessment of the region by the International Monetary Fund. Over the weekend the fund suggested that the Asian crisis "could be over".

Fitch IBCA upgraded Malaysia's long-term foreign currency debt rating; Duff & Phelps did the same for South Korea. The Philippines pushed through its 11th interest rate cut this year, and in Thailand there was a sign non-performing loans could be falling.

The Thai central bank said the NPL ratio had peaked in February at 45.6 per cent. Thai banks shot ahead, extending their gains since early February to more than 50 per cent, to lift Bangkok 3.6 per cent. Seoul rose 3.4 per cent and Kuala Lumpur 4.2 per cent.

Recent strength has meant that some Asian (admittedly depressed) earnings multiples sell in the 30 to 40 range. The market p/e in Jakarta is 30 and Bangkok 39. Seoul sells at more than 40 times 1998 earnings. However, most brokers plot share prices to book assets as the best guide to values in the region.

According to Foreign and Colonial, the fund manager, book assets in Asia trade on a price barely a fifth of the developed world.

High-techs stay firm on merger moves

AMERICAS

Wall Street was little changed in early trading. A series of merger announcements and speculation kept high-tech stocks firm, but blue chips turned easier, *writes John Labate in New York.*

The deals helped to push the Nasdaq composite higher, lifting it 46.83 or 1.8 per cent to 2,637.52, in an otherwise mixed market.

Blue-chip shares were mostly lower, sending the Dow Jones Industrial Average down 16.04 at 10,673.63 at midsession. The broader Standard & Poor's 500 index was less than a point higher at 1,357.47.

In the telecoms equipment sector, Fore Systems surged 36 per cent or $8 15/16 to $33 7/16 after the company agreed to be acquired by General Electric of the UK.

The deal came as investors awaited an outcome in the battle for cable company MediaOne, for which AT & T has launched a hostile bid. An earlier agreement had been reached between MediaOne and Comcast, and as of midday yesterday there was no confirmation of a higher bid from Comcast.

MediaOne rose $1 7/16 to $78 15/16 while Comcast was off $15/16 to $64 7/8 and AT&T shares were down $3/4 to $52 3/4.

Internet shares were mostly higher after eBay, the online auction company said it would buy the third largest auction house in the US in a $260m stock deal. eBay was up 3 per cent to $207 3/4.

Weighing on the Dow were shares of Union Carbide, down 5 per cent or $2 9/16 at $48 15/16 after it reported quarterly results.

Drug company Merck was down $1 3/4 at $74. Among Dow gainers, Procter & Gamble climbed $2 3/4 to $92 15/16.

IBM continued to rally after last week's earnings release, climbing another $6 or 3 per cent to $206. Banking shares were mostly lower, with Citigroup off $3/4 to $74 1/4.

US Treasury prices were mostly lower in early trading, with the 30-year benchmark bond down 9/32 to 94 5/16, sending the yield higher to 5.628 per cent.

The Russell 2000 index of small-company shares was up 3.28 to 435.01.

TORONTO pushed higher in early trading following a strong start for telecommunication stocks.

Northern Telecom rose C$4.05 to C$110.40 and BCE, a major Nortel shareholder, gained C$1.45 at C$74.35. Newbridge Networks added C$3.20 at C$56.20.

At noon, the benchmark 300 composite index was up 30.81 at 7,059.30.

Oil hopes lift Caracas

CARACAS continued to push firmly ahead, rising 2.9 per cent or 151.25 to 5,426.78 on the benchmark IBC index at midsession.

Oil price optimism and fading political concerns were the main drivers behind the early buying, although brokers said trading volumes were moderate at best.

Among leading stocks, Electricidad de Caracas rose 9 bolivars to 246 bolivars.

SAO PAULO moved narrowly in dull volumes in early trading. The Bovespa index at midsession was 16 better at 11,048.

MEXICO CITY tracked a directionless Wall Street in subdued morning trading. At midsession, the benchmark IPC index was down 31.02 at 5,450.76.

Anglo remains in demand

SOUTH AFRICA

Johannesburg overcame early weakness on further strong demand for Anglo American. But price movements tended to be exaggerated by light trade ahead of a public holiday today.

The overall index put on 33.2 to 6,815.4 as industrials rose 27.8 to 7,336.8 and golds eased 7.1 to 951.4.

Around 30 per cent of total trade was contributed by companies in the Anglo stable. Anglo rose 200 cents to R294.80.

Bourses gain despite US fall

EUROPE

European markets closed mostly higher despite an early sell-off on Wall Street that trimmed gains in the day's star performers. Frankfurt posted the biggest advance, up 1.6 per cent, helped by a brightening economic outlook and robust rises in blue chips.

Computer services stocks were unaffected by the bout of weakness in New York. The sector turned in a hefty 7.2 per cent rise on gains in France's Cap Gemini and Germany's SAP. The four-stock strong aerospace and defence sector was up 2.3 per cent on expectations that the conflict in Kosovo would boost orders.

The FTSE Eurobloc 100 index, which covers leading companies in the euro-zone, closed 5.62 or 0.5 per cent higher to 1,062.91. The FTSE Eurotop 100, covering countries inside and outside monetary union climbed 30.65 to 3,014.67 while the broader FTSE Eurotop 300 settled 10.63 higher at 1,307.54.

ZURICH jumped 1.5 per cent in response to a sharp rise for Roche as the US Food and Drug Administration granted marketing approval to the pharmaceutical giant's anti-obesity drug.

Certificates in Roche shot up SFr730 or 4.3 per cent to SFr17,850. Approval for Xenecal had been delayed for some months while US regulators investigated possible side-effects. The drug is seen by some analysts as a potential blockbuster with sales that could top SFr1bn a year.

Novartis also had a better day, putting on SFr64 to SFr2,268 after last week's heavy selling in the wake of its disappointing first-quarter figures.

Banks, in demand in recent sessions, lost momentum. UBS underperformed, gaining just SFr1 to SFr520 while CS Group was SFr2 higher at SFr292.50.

Cyclicals were higher with ABB jumping SFr55 to SFr2,174.

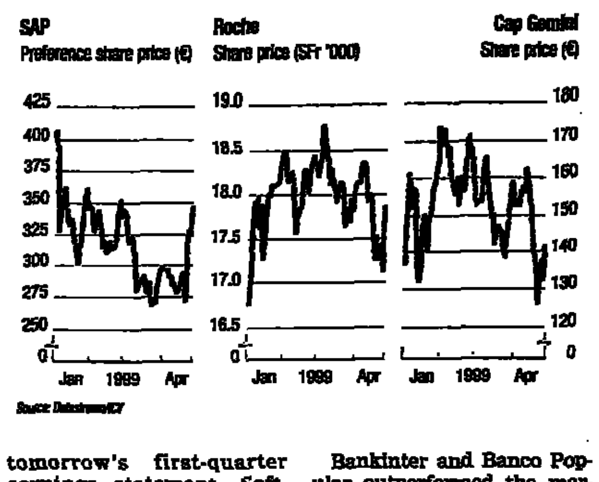
Swatch Group pressed SFr33 higher through technical resistance at SFr1,000 to close at SFr1,009.

Swisscom climbed SFr21 to SFr569 on hopes related to the company's internet business and bullish sentiment towards telecoms.

The SMI index closed with a rise of 108.9 at 7,254.7.

FRANKFURT pushed firmly ahead, rising 81.32 or 1.6 per cent to 5,269.12 on the Xetra Dax index.

Deutsche Bank improved €1.68 to €94.44 ahead of



Source: Datastream/ICV

tomorrow's first-quarter earnings statement. Software leader SAP was the day's best performer, adding €27 at €350.

Deutsche Telekom rallied modestly, adding 52 cents at €35.89 in advance of today's meeting between German and Italian officials as the group pushes forward with its plans to merge with Telecom Italia. An upgrade to "outperform" at WestLB Panure also helped to boost sentiment.

For full FTSE European indices see Euro Markets page.

Lufthansa was a clear casualty, slipping 96 cents to €22.19 after the airline warned of a negative earnings impact of the Kosovo crisis.

PARIS got an early boost from robust performances in oil, high-tech and defence stocks. But the CAC-40 index later lost some momentum to finish 21.97 or 0.5 per cent ahead at 4,284.40 after a 2.7 per cent fall last week.

Volatile Thomson-CSF was among the day's biggest risers, adding €1.20 to €28.25. Traders said rising expectations that Nato would commit ground troops to Kosovo was behind the rise.

In the technology sector, Cap Gemini added €8.60 or 6.50 per cent to €141 after its chairman said he was considering a US acquisition to increase the company's range of products.

Elf-Aquitaine rose sharply on newspaper reports that the French government was seeking to merge it with its rival Total. Meanwhile, Lehman Brothers raised its 12-month price target for the two companies, providing additional support.

Elf, also rumoured to be a bid target for a foreign operator, closed €4 higher at €135, while Total shed 70 cents to €116.90.

MADRID ended flat despite some impressive gains from a handful of banking stocks.

Bankinter and Banco Popular outperformed the market after CSFB raised its recommendation on the stocks. Banco Popular added €2.85 to €68.75 after Deutsche Bank provided additional support by raising its target price. Bankinter closed €1.65 higher at €39.80.

Power group Endesa closed 32 cents higher at €21.21 ahead of its shareholder meeting today. The stock fell 18 per cent in two weeks, but began recovering last week as it became the sole contender for control of Endesa Chile. But the decision by rating agency Fitch IBCA to maintain its negative stance on the stock put a lid on gains.

The general index finished 0.08 higher at 880.38.

STOCKHOLM rose in line with other European markets, helped by gains in market heavyweight Ericsson. Shares in the company rose SKr9 to SKr221 on talk that it could bid for 3Com Corp of the US.

Traders said the stock also benefited from a better outlook for Asian economies, where it has substantial investments.

The session's biggest winner was ASG, up SKr50 or 23.4 per cent to SKr264, SKr1 short of the priced offered by Swiss logistics group Danzas in its bid to acquire 61.8 per cent of the company.

The general index added 24.69 or 0.7 per cent to 3,626.50.

AMSTERDAM ended a session of narrow trading with the AEX index 4.55 higher at 565.78 with good gains for ABN-Amro and Philips providing most of the momentum.

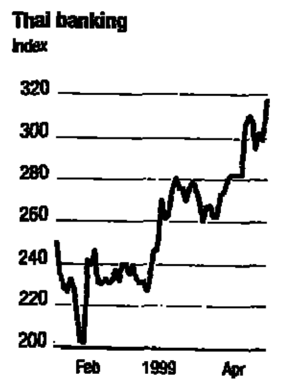
ABN-Amro was heavily traded after an upgrade by J.P. Morgan and a speculative run that sparked a denial from the bank that it was not topping up its existing 8.8 per cent stake in Banca di Roma. The stock, which the US broker raised to "buy", added 85 cents at €22.55 in 18.1m shares traded.

Philips rose €2.25 to €85 as the global techs sector continued to find favour. KLM, up €1 at €28.10, was helped by switching out of Lufthansa. Foods group CSM shot higher, adding €2.15 or 4.5 per cent to €50.45 on news of a $415m Finnish sugar acquisition.

Written and edited by Michael Morgan, Bertrand Benoit, Paul Gregan and Peter Hall

Loan figures aid Thai banks

ASIA PACIFIC



Source: Datastream/ICV

Bank stocks met with strong demand in late **BANGKOK** trading after signs that non-performing loan levels were on the way down.

Bangkok Bank rose Bt4.50 to Bt66 and Thai Farmers Bt4 to Bt70. The bank sector index ended with a gain of 6.2 per cent.

Although turnover was modest at Bt6.6bn, there was said to be good demand for bank shares after the central bank said non-performing loans had peaked in February. The SET index added 14.61 or 3.6 per cent at 415.68.

TOKYO saw a late rush of profit-taking that pulled the key Nikkei index back from its best levels and stopped it closing above 17,000 for the first time in more than a year, *writes Bethan Hutton.*

The Nikkei 225 average hit a peak of 17,143.49 in the afternoon after rising steadily from the opening figure of 16,919.76. But it then fell swiftly to close at 16,918.51, down 4.74 from the previous day's close.

The broader-based Topix index gained 8.37 to 1,343.84, and the capital-weighted Nikkei 300 gained 1.33 at 268.61.

Technology, internet and telecoms issues were the day's main winners and some maintained gains despite the profit-taking. Japan Telecom closed Y60,000 higher at Y1.9m as investors responded positively to news over the weekend of an investment in JT by British Telecom and AT & T. The news helped prop up some other telecoms issues, such as KDD – up Y500 to Y7,550 – and DDI – up Y20,000 at Y606,000. NTT was unchanged at Y1.25m.

Shipping showed the largest gains, up 2.5 per cent, continuing a recent upward trend based on expectations of higher fees in the sector. Meiji Shipping was up Y16 to Y246, Nippon Yusen up Y15 to Y450, and Iino Kaiun up Y14 to Y279.

First-section volume was down slightly from Friday at 563m, compared with 578m. Rising shares outnumbered losers by 745 to 444, with 129 unchanged.

In Osaka, the OSE rose 173.06 to 18,203.23 in volume of 23m.

BOMBAY slid 4.74 per cent as the country headed for elections. The BSE-30 index lost 161.32 to 3,245.27 as the cabinet recommended the dissolution of parliament following the failure of political parties to form a new government.

HONG KONG was higher as telecommunications and utility stocks outperformed other blue chips, reflecting increasing investor caution above the 13,000 level on the Hang Seng index.

The blue chip-measure finished 221.72 or 1.7 per cent higher at 13,127.02 after hitting a morning low of 12,853.86 and an afternoon high of 13,173.37.

But in the broader market, declines outnumbered advances 304 issues to 241, and turnover slipped to HK$8.2bn.

Analysts said that telecom shares remained in favour, due in part to continuing enthusiasm for local stocks with internet-related business. Local tech shares also received a boost from Friday's rally in the US Nasdaq composite index.

China Telecom gained HK$1 or 6.4 per cent to HK$16.60 on healthy turnover of HK$608.9m

CCT Telecom Holdings soared 27.7 per cent to HK$1.75, continuing their surge after Friday's news the company was in talks with an international telecoms operator on an investment in CCT's internet and international direct-dial services.

SEOUL hit a 21-month high as institutions greeted the decision by Fitch IBCA and Duff & Phelps to upgrade South Korea's credit rating.

The composite index settled 25.31 or 3.4 per cent higher at 776.30, also helped by a brightening labour outlook as subway workers returned to work following a one-week walkout.

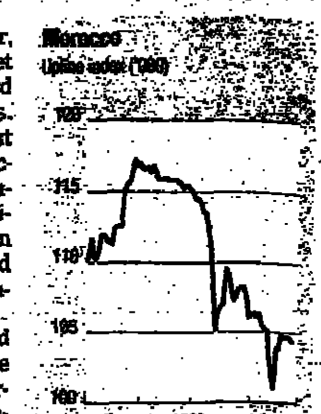
The day's best performances came from securities houses in the wake of record earnings. Daewoo Securities rose Won4,400 to Won33,800 while Hyundai Securities added Won6,150 to Won47,350.

KUALA LUMPUR got a boost from credit re-rating although most buying orders came from local investors.

Speculation Malaysia could return to the Morgan Stanley Capital International emerging markets index helped the composite index add 26.98 or 4.2 per cent to 673.90, with activity concentrated in blue chips.

EMERGING MARKET FOCUS

ONA chief exit fails to excite



Source: Datastream/ICV

After a strong rise last year, the Casablanca stock market has been on a downward trend in recent months. Even the resignation last week of the head of Morocco's most important company, Omnium Nord Africain, a move that had been expected to be well received by investors, left the company's stock unmoved.

Fouad Filali, who resigned as chairman of ONA, the country's largest conglomerate, had cleaned up the company's balance sheet and put the business on a sound financial footing.

But Mr Filali had come under strong criticism for repurchasing a stake in an insurance broker he had previously sold off. He had also lost a bid to purchase one of the country's largest insurance companies, complicating his planned expansion strategy.

Mourad Cherif, his successor, is a well-respected former finance minister and current chairman of Morocco's state-owned phosphate producer. He knows ONA well, having been its managing director until 1993.

Last year, the Casablanca bourse was one of the best performers in emerging markets, finishing the year with a 20 per cent gain, on the back of a phenomenal growth in mutual funds. In recent months, however, the bourse has been undergoing a correction, and the market is down 4 per cent.

"Even if the change at ONA was seen as a good thing, the move had no impact because there is a loss of confidence in the market," said a local broker. "There were big orders placed to sell the stock and the orders were not changed after the announcement of the resignation."

Analysts say the correction on the Casablanca stock exchange is due to worse-than-expected 1998 companies earnings growth and because institutional investors want to realise capital gains to boost their income this year. The draft budget before parliament proposes a capital gains tax – another discouraging factor.

The market needed a correction, say analysts. "But for some benefit to come out of this correction, the market has to go down even further or start recovering fast," explains Anas Alami, head of research at Upline Securities. "At this level, prices are not cheap enough for foreigners or locals to get interested in the market."

The average price earnings ratio is around 19 times 1999 projected earnings on a stock market with a total capitalisation of $14.7bn. Foreign investors, who had shown interest in Morocco in recent years, have long pocketed their gains.

"There is now a maximum 3 per cent foreign ownership on the market, but people would get more interested the cheaper it gets," says a London broker.

ONA, with holdings ranging from dairy products to financial services, is trading at a discount to the market, with a price earnings ratio of only 13 per cent on estimated 1999 earnings. Analysts say that once Mr Cherif outlines a coherent future strategy, the stock is likely to recover.

Roula Khalaf